LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009

Mary Taylor, CPA
Auditor of State

Board of Commissioners
Licking County Metropolitan Housing Authority
144 W. Main Street
Newark, Ohio 43055

We have reviewed the *Independent Auditors' Report* of the Licking County Metropolitan Housing Authority, Licking County, prepared by HHH CPA Group, LLC, for the audit period January 1, 2009 through December 31, 2009. 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 County Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 4, 2010

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LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

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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, 2009 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, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards,* we have also issued a report dated April 15, 2010, 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.

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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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic 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.

The accompanying schedule of federal awards expenditures is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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

April 15, 2010

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

Board of 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, 2009 and have issued our report thereon dated April 15, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Licking Metropolitan Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Licking Metropolitan Housing Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a time basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

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

April 15, 2010

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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, 2009. 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.* 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, 2009.

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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.

A control deficiency is an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Authority as of and for the year ended December 31, 2009, and have issued our report thereon dated April 15, 2010, which are presented in the preceding section of this report. Our audit was performed for the purpose of forming an opinion in the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards of the Authority is presented for purposes of additional analysis as required by OMB A-133 and is not a required part of the basic 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.

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

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Columbus, Ohio

April 15, 2010

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Cynthia Beers – Financial Operations Manager

LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2009
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 follows the guidelines of GASB No. 34. 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 revenue:	**FYI 12/31/09:**	**$6,464,913 increase of $231,852 in 2009**
	FYI 12/31/08:	$6,233,061 increase of $275,681 in 2008
	FYI 12/31/07:	$5,957,380 decrease of $228,524 in 2007
	FYI 12/31/06:	$6,185,904 increase of $396,899 in 2006
• Total expenses:	**FYI 12/31/09:**	**$6,368,666 decrease of $69,346 in 2009**
	FYI 12/31/08:	$6,438,012 increase of $503,794 in 2008
	FYI 12/31/07:	$5,934,218 increase of $190,244 in 2007
	FYI 12/31/06:	$5,743,974 decrease of $273,382 in 2006

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 2009 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 99 units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides an Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income. In the past two years, the average dwelling rental income chargeable to the PH tenants increased by approximately $62 per unit. This is a result of slightly higher incomes reported for the tenants.

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

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 owns an office building/land which it purchased in 2005 for Section 8 and Administrative Staff. In 2008, LMHA conducted research on the feasibility of using a portion of its administrative fee reserves to procure a new roof for the Administrative Building. LMHA acquired approval from its HUD Financial Advisor for the purchase, and the roof was replaced in 2009 for $64,255.43. This improvement allowed LMHA to focus on securing a lease agreement with the local health clinic for the rental of a portion of the admin building. In 2009, the health clinic made considerable upgrades and lease-hold improvements to the rental area. A yearly lease agreement was initiated, and the first rental income was collected in November and December for the space. This partnership provides a valuable service for our community, and the money earned helps defray the operating and utility expenses of the Administrative Building.

LMHA's Financial Operations Manager also acts as the accountant for a non-profit organization, Licking County Housing, Inc. This partnership generated $1901.07 which was in "Business Activity" revenue for 2009.

Shelter Plus Care I & II (SPC I & II) – The Shelter Plus Care Programs, funded by the McKinney-Vinto Homeless Assistance Act, provide rental assistance, in connection with supportive services to homeless persons with disabilities (primarily persons who are seriously mentally ill; have chronic problems with alcohol, drugs, or both, or have acquired immunodeficiency syndrome and related diseases) and their families. The programs provide assistance through tenant-based rental assistance. No administrative fees were collected for either program in 2009, as the 8% administrative fees were collected at the onset of the contract in prior years. $3,000 was received from Mound Builder's Guidance Center as restricted income to be used toward SPC I HAP expenses in 2009. These funds were expended in the same month as received.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS – Table 1

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

		2009	2008	2007	2006	2005
Current & Other Assets		$998,519	$464,874	$586,856	$624,129	$489,173
Capital Assets		$1,901,126	$1,873,248	$1,939,128	$1,907,219	$1,590,610
	TOTAL ASSETS	**$2,899,645**	**$2,338,122**	**$2,525,984**	**$2,531,348**	**$2,079,783**
Current & Other Liabilities		$538,779	$69,687	$59,865	$116,734	$202,817
Long-term Liabilities		$20,530	$24,346	$28,343		-
	TOTAL LIABILITIES	**$559,309**	**$94,033**	**$88,208**	**$116,734**	**$202,817**
Net Assets:						
Invested in Capital Assets, net of related debts		$1,890,563	$1,873,248	$1,939,128	$1,907,219	$1,590,610
Restricted or reserved for capital projects		$150,418	$6,975	$282,544	$478,714	$248,965
Unrestricted		$299,355	$363,866	$216,104	$28,681	$37,391

EQUITY						
	TOTAL NET ASSETS	$2,340,336	$2,244,089	$2,437,776	$2,414,614	$1,876,966

The following shows fluctuations in LMHA's Total Net Assets:

Year	Income or (Loss)	
	2005 – 2006	$537,648
	2006 – 2007	$34,426 (adjusted)
	2007 – 2008	($204,951.)
	2008 – 2009	$96,247

HAP Voucher funds for SPC I & II are pass-through programs, whereby exact amounts of expenses are immediately drawn-down by LMHA through the government's e-LOCCs for reimbursement. The HAP Housing Choice Voucher (HCV) Program operates by receiving an ACC-defined deposit at the beginning of each month. LMHA is then responsible for making all HAP payments for the HCV Program, utilizing the first-of-the-month deposit. If, however, LMHA's HAP payments for the HCV Program goes beyond the monthly deposit, (and LMHA is under its authorized units per month), LMHA must use its Restricted Net Assets to make up the difference.

In accordance, in 2008, LMHA used its current assets (restricted net asset account) to cover excess HCV HAP each month, ending 2008 with a large reduction in its "current and other assets." Reversely, in 2009, HUD provided adjusted budgetary figures, as well as actual funding, very late in LMHA's fiscal year. This forced LMHA to quickly spend down its restricted net assets in early 2009, and drastically reduce its projected spending for the year, based on the 2008 figures.

LMHA received from HUD $5,105,962 HCV HAP in 2009. Per LMHA's 2009 Profit and Loss Report, LMHA spent $4,960,565 on HAP HCV and Utility payments (without going over its allowable units per month). Further supporting rationale behind this reserve is discussed in detail in the attached Executive Director's Report, dated January 28, 2009. This includes e-mail correspondence, also attached, between LMHA and HUD HCV Division Director, Michael LaRiccia.

LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2009
Unaudited

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

		2009	2008	2007	2006	2005
REVENUES						
Tenant Revenue Rent & other		$214,240	$212,214	$208,608	$207,689	$207,051
Operating subsidies & Grants		$6,146,797	$5,947,370	$5,578,139	$5,901,151	$5,569,381
Capital Grants		$84,256	$63,266	$148,104		-
*3rd party Roof Grant					$61,409	
Investment Income		$528	$4,033.	$15,599	$10,523	$10,475
Other revenue		$19,092	$6,178	$6,930	$5,132	$2,098
	TOTAL REVENUE	**$6,462,913**	**$6,233,061**	**$5,957,380**	**$6,185,904**	**$5,789,005**
EXPENSES						
Administrative	(includes contract services)	$751,993	$702,725	$688,941	$778,228	$863,085
Tenant Services		$2,876	$2,757	$2,998	$2,015	$4,990
Utilities		$126,392	$139,437	$124,455	$101,701	$101,402
Maintenance		$85,576	$62,901	$50,073	$10,642	$13,776
General & PILOT		$52,548	$16,010	$30,000	$31,900	$32,764
Housing Assistance Payments		$5,223,418	$5,392,065	$4,921,158	$4,663,641	$4,922,227
Depreciation		$125,455	$121,584	$116,279	$103,460	$80,395
Miscellaneous		$408	$533	$314	$1,339	$(1283)
Loss from Disposal of Asset- Roof Tear Off					$51,048	
	TOTAL EXPENSES	**$6,368,666**	**$6,438,012**	**$5,934,218**	**$5,743,974**	**$6,017,356**
Income or (net operating loss)		$96,247	($204,951)	$23,162	$441,930	$(228,351)
Equity,beginning, Restated		$2,244,089	$2,437,776	$2,414,614	$1,876,966	$2,105,317
Prior Period Adjustments			$11,264		$95,718	
	EQUITY, ENDING	**$2,340,336**	**$2,244,089**	**$2,437,776**	**$2,414,614**	**$1,876,966**

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

LMHA experienced a net increase (all programs) of $199,427 in total revenue from 2008 to 2009. The HCV HAP revenue increased 4.6% or $250,197 from $5,431,308 to $5,681,505. HCV Administrative Fees received, however, actually decreased $6,968 from 2008 to 2009.

SPC Program revenue decreased 20.7% or $63,430 from $305,947 in 2008 to $257,557 in 2009. As previously reported, no SPC Program Administrative Fees were received in 2009, as the fees were drawn down at the on-set of the SPC contracts, in prior periods.

While there is a reported decrease in overall program expenses from $6,438,012 to $6,368,666, it should be noted that a huge portion of the decrease stems from a decrease in HAP payment expenses – a decrease of $168,647 from 2008 to 2009. Actual operating expenses for all programs combined, not including HAP expenses, increased by $99,301 from 2008 to 2009.

HCV and SPC Program operating expenses increased $47,818, with the following areas experiencing reportable increases:

HCV/SPC Account	Increase
Admin Salaries & Compensated Absences	$6,876
Employee Benefits Contributions	$18,244
Ordinary Maint. & Op. – Contracts	$7,106
Insurance	$3,917
Other General	$9,520
Depreciation Expense	$5,636

Note: There was a notable decrease of $2,358 in utility expenses and $858 in ordinary maintenance material expense which helped to offset some of the other expenses for the HCV and SPC Programs.

PUBLIC HOUSING – LOW-RENT PROGRAM

In keeping with prior-period trends, the Public Housing, Low-Rent Program, operating subsidy increased by 8.1% from $192,075 in 2008 to $207,735 in 2009. (From 2007 to 2008 there was an 8.3% increase). Public Housing did experience drops in its interest and other income by $2,364 due largely to interest rate changes and the economy.

Utility expenses were reduced $10,444 in 2009 from 2008, primarily due to a nation-wide decrease in the cost of natural gas. Depreciation expense also reduced $3,703 from $98,581 to $94,878.

Overall operating expenses (not including utilities) for the Low-Rent Program increased by $45,212 in 2009. The following areas experienced reportable increases:

Low-Rent/Hi-Rise Account	Increase
Admin Salaries & Compensated Absences	$4,178
Employee Benefits Contributions	$3,685
Other Op. Admin	$6,048
Ordinary Maint. & Op. – Labor	$18,788
Ordinary Maint. & Op. – Mtrl.	$4,745
Ordinary Maint. & Op. - Contract	$22,382

Note: There was a notable decrease of $10,444 (mentioned above) in utility expenses; $2,552 reduction in "other general" expense; and a $3,703 reduction in depreciation expense, which helped to offset some of the other expenses for the Low-Rent Program.

Some of the above increases to maintenance and operations expenses stemmed from a major water-line break at the Hi-Rise Building, which involved tenant relocation, and extensive repairs and restorations. Labor for preparing for the installation of new air conditioners was also charged in these accounts.

Utility expenses for all programs combined reflect the following changes:

Utility Expenses	
2004	$88,276
2005	$101,402
2006	$101,701
2007	$124,455
2008	$139,437
2009	$126,392

In 2008, LMHA Low-Rent Program received $63,266 in capital fund grants. In 2009, it received $84,256, in capital fund grants for various capital improvement projects.

***

Management would also like to make note regarding the Basic Financial Statements and Single Audit for the Year Ended December 31, 2009, "Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2009." Grant amounts received include Administrative Fees. The "Expenditures for the Year Ended" does not represent the exact amount of payments made for the "Section 8 Rental Voucher" Program during the year.

DISCUSSION CONCERNING CASH FLOW:

LMHA's cash position as of December 2009 was inflated, as it included an HCV Program deposit from HUD for January 2010 HCV payments, in the amount of $474,435. This included $427,440 for HCV vouchers and $46,995 for HCV administrative fees. This largely increased the year-end current and other assets from a $464,874 in 2008 to $998,519. All of the $427,440 was expended January 1, 2010 for HCV HAP.

Cash restricted for the HCV HAP Program was $142,240. Cash restricted for the Low-Rent/Hi-Rise Program was $8,178, which included pet and security deposits for the Hi-Rise tenants.

SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM

The Capital Fund and Shelter-Plus Care Programs 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.

CAPITAL ASSETS

Changes in capital assets for the HCV & Business Activity Accounts included purchases for the administrative building: a new roof for $64,255.43; a new fence for $3,676; a new sign; and five new office computers. Changes in capital assets for the Low-Rent/Hi-Rise included several improvements for the Hi-Rise building: new boiler valve replacements; new boiler heat exchangers; new window

replacements, and major rehab/renovation from water-line replacement.

As of 2009 year end, the Authority had $1,901,126 invested in a variety of capital assets as reflected in the following schedule which represents a net increase (addition, deductions and depreciation) of $27,878 from the end of last year. See Tables 3 & 4, below.

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

		2009	2008	2007	2006	2005
Land & land rights		$284,300	$284,300	$284,300	$284,300	$284,300
Buildings		$5,349,028	$5,201,299	$5,150,671	$5,061,776	$4,665,358
Equipment – Administrative	Admin & Dwelling combined in 2005 & 2006 by auditors	$188,296	$182,692	$177,616	$118,323	$117,562
Accumulated depreciation		$(3,920,498)	$(3,795,043)	$(3,673,459)	$(3,557,180)	$(3,476,610)
	TOTAL	$1,616,826	$1,873,248	$1,939,128	$1,907,219	$1,590,610

TABLE 4
CHANGE IN CAPITAL ASSETS

The following reconciliation summarizes the change in Capital Assets for 2009.

	2009	2008	2007	2006
Beginning Balance	$1,873,248	$1,939,128	$1,907,219	$1,590,610
Additions	$153,333	$55,704	$148,188	$397,179
Depreciation	$(125,455)	$(121,584)	$(116,279)	$(80,570)
ENDING BALANCE	$1,901,126	$1,873,248	$1,939,128	$1,907,219

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

MANAGEMENT NOTES & CONCLUSION:

In January through late May 2009, LMHA spent more HCV HAP each month than what HUD was actually providing – forcing the Authority to spend all of its HAP reserve "net restricted assets." During this period, it also was forced to lower the number of units served on the HCV Program. In May 2009, when LMHA began receiving more funds and learned of HUD's intended budget for the year, the Authority immediately began responding by providing vouchers to people on the long-standing waiting list.

Once LMHA received HUD's notice of funding, LMHA quickly reacted - by September 2009, in response to the new funding and additional funds received, LMHA jumped to 1021 HCV-funded units, up from 960 in January 2009. In reverse to the prior year, LMHA finished 2009 with $142,240 in cash restricted for the HCV Program.

The MD&A by GASB definition is designed to include all program expenses in the "Financial Highlights" on Page 1 of this document. It should be noted that in 2009, LMHA spent $168,647 less in HCV Housing Assistance Payments than in 2008. This decrease is included in the overall LMHA expense reduction. However, there was an actual increase to operational-type expenses by $99,301 from 2008 to 2009. The net of the two figures reflects the $69,346 reported in the Financial Highlight section on Page 1.

In 2009, LMHA focused on its administrative building, replacing a very damaged, over 40-year-old flat roof, early in the year. This improvement allowed the Authority to secure a lease with the local health clinic - this lease generates revenue and defrays some of the operating and utility expenses from its administrative building. The health-clinic also made approximately $75K in lease-hold improvements to create a clinic/doctor's office within the previously unfinished space.

The Low-Rent/Hi-Rise experienced a larger number of vacant units for 2009 of 24, up from 15 in 2008. A large water-line break and two unit fires contributed to the overall expense and turnover rate.

FINANCIAL CONTACT

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

Respectfully submitted,

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

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

STATEMENT OF NET ASSETS

DECEMBER 31, 2009

ASSETS	
Current assets:	
Cash and cash equivalents – unrestricted	$ 814,323
Cash and cash equivalents – restricted	150,418
Total cash and cash equivalents	964,741
Accounts receivable – HUD	17,558
Accounts receivable – miscellaneous	568
Accounts receivable – other, net of allowance	2,886
Prepaid expenses	12,766
Total current assets	998,519
Capital assets:	
Land	284,300
Other capital assets – net	1,616,826
Total capital assets	1,901,126
Total assets	2,899,645
LIABILITIES AND NET ASSETS	
Current liabilities:	
Current portion of capital lease obligation	4,126
Tenant security deposits	8,178
Deferred revenue - HUD	474,435
Accounts payable – trade	27,818
Accounts payable – other governments	8,527
Accrued compensated absences	7,423
Other current liabilities	8,272
Total current liabilities	538,779
Long-term liabilities:	
Long-term portion of capital lease obligation	6,437
Long-term portion of accrued compensated absences	14,093
Total liabilities	559,309
Net assets:	
Invested in capital assets	1,890,563
Restricted	150,418
Unrestricted	299,355
Total net assets	$2,340,336

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2009

Operating revenues:	
HUD grants	$6,146,797
Rental income	214,240
Other	19,092
Total operating revenues	6,380,129
Operating expenses:	
Housing assistance payments	5,223,418
Administrative salaries	350,137
Employee benefits	215,580
Utilities	126,392
Depreciation	125,455
Other administrative expenses	128,055
Maintenance material and labor	85,576
Contract services	68,324
Insurance	25,281
PILOT	9,480
Tenant services	2,876
Interest expense	408
Other	7,684
Total operating expenses	6,368,666
Operating income	11,463
Non-operating revenues (expenses):	
Investment income – unrestricted	528
Total non-operating income	528
Income before Capital grants and transfers	11,991
Capital grants	84,256
Net income	96,247
Total net assets – beginning of year	2,244,089
Total net assets – end of year	$2,340,336

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, 2009

Cash flows from operating activities:	
Cash received from tenants	$ 214,329
Cash received from HUD	6,603,674
Cash payments for housing assistance payments	(5,223,418)
Cash payments for administrative expenses	(650,648)
Cash payments for other operating expenses	(336,731)
Cash payments to HUD and other governments	(9,480)
Net cash provided by operating activities	597,726
Cash flows from capital and related financing activities:	
Cash received from other governments	84,256
Purchases of property and equipment	(153,333)
Principal payments on capital lease obligation	(3,995)
Net cash used in capital and related financing activities	(73,072)
Cash flows from investing activities:	
Investment income	528
Net cash provided by investing activities	528
Increase in cash and cash equivalents	525,182
Cash and cash equivalents - beginning of year	439,559
Cash and cash equivalents – end of year	$ 964,741

(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, 2009

Cash flows from operating activities:	
Operating income	$ 11,463
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	125,455
Changes in operating assets that (increase) decrease cash flows:	
Accounts receivable – HUD	(17,558)
Accounts receivable – miscellaneous	(568)
Accounts receivable – other	89
Prepaid expenses	9,574
Changes in operating liabilities that increase (decrease) cash flows:	
Accounts payable - trade	(2,006)
Tenant security deposits	1,203
Deferred revenue – HUD	474,435
Accrued compensated absences	(3,623)
Other current liabilities	(738)
Total adjustments	586,263
Net cash provided by operating activities	$ 597,726

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

The accompanying financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

(Continued)

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

Fund Accounting

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

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

Proprietary Fund Types

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

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

Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. 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 FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Description of Programs

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

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

(Continued)

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

Capital Fund Program (CFP) –The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

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

Shelter Plus Care (SPC) – The 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).

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

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.

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.

(Continued)

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

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 $1,190 as of December 31, 2009.

Net Assets

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

Property and Equipment

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

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

Due From/To Other Programs

Inter-program receivables and payables as of December 31, 2009 on the Financial Data Schedule have been eliminated on the Statement of Net Assets.

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.

(Continued)

NOTE 2 – Cash and Investments

Deposits

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.

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

Category 1: $292,272 was covered by FDIC
Category 2: $679,897 was covered by specific collateral pledged by the financial institution in the name of the Authority

(Continued)

NOTE 2 – Cash and Investments – (Continued)

Book balances for the period ending December 31, 2009 were as follows:

	Cash	Investments	Total
Unrestricted:			
Low Rent Housing	$ 141,866	$ -	$ 141,866
Housing Choice Vouchers	641,526	-	641,526
Section 8 Business Activities	30,931	-	30,931
Total Unrestricted	814,323	-	814,323
Restricted:			
Low Rent Housing	8,178	-	8,178
Housing Choice Vouchers	142,240	-	142,240
Total Restricted	150,418	-	150,418
	$ 964,741	$ -	$ 964,741

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 12/31/08	Additions	Deletions	Balance 12/31/09
Capital assets, not being depreciated				
Land	$ 284,300	$ -	$	$ 284,300
Capital assets being depreciated				
Buildings and improvements	$ 5,201,299	$ 147,729	$ -	$ 5,349,028
Furniture and equipment	182,692	5,604	-	188,296
Total capital assets being depreciated	5,383,991	153,333	-	5,537,324
Accumulated depreciation				
Buildings and improvements	(3,640,546)	(108,351)	-	(3,748,897)
Furniture and equipment	(154,497)	(17,104)		(171,601)
Total accumulated depreciation	(3,795,043)	(125,455)	-	(3,920,498)
Total capital assets being depreciated, net	$ 1,588,948	$ 27,878	$ -	$ 1,616,826

(Continued)

NOTE 4 – Commitments

The Authority entered into a capital lease for a copier in July 2007. The lease calls for monthly payments of $367 through June 2012. The total cost for the asset under this lease was $20,317; accumulated amortization totaled $9,820 as of December 31, 2009.

Future minimum lease payments under this lease are as follows as of December 31, 2009:

2010	$ 4,404
2011	4,404
2012	2,202
	11,010
Less amount representing interest	447
	10,563
Current portion of capital lease obligation	4,126
Capital lease obligation, less current portion	$ 6,437

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 10.00% of qualifying gross wages for all employees. The total 2009 employer contribution rate was 14.0% 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:

(Continued)

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

	Contribution	Percent
2009	$ 60,951	14.00
2008	$ 57,451	13.73
2007	$ 51,381	13.55
2006	$ 50,806	13.55
2005	$ 46,787	13.55
2004	$ 46,029	13.55
2003	$ 47,004	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 2009 employer contribution rate for state employers was 14.00% 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. Unused vacation time may be accumulated up to 160 hours. All vacation time accumulated will be paid upon separation. At December 31, 2009, $7,423 was accrued for 2009 unused vacation and $14,093 was accrued by the Authority for unused 2008 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.

(Continued)

NOTE 10 –Contingencies

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2009, the Authority was involved in no such matters which would have a material effect on the financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
DECEMBER 31, 2009

FDS Line Item No.	Account Description	Public Housing Capital Fund Program	Low Rent	14.871 Housing Choice Vouchers Program	14.182 Section 8 New Construction	14.238 Shelter Plus Care Program	Business Activities	Total
	Current Assets							
	Cash							
111	Cash - Unrestricted	-	141,866	$ 641,526		$ -	$ 30,931	$ 814,323
113	Cash - Other Restricted	-	-	142,240	-	-	-	142,240
114	Cash - Tenant Security Deposits	-	8,178	-				8,178
100	Total Cash	-	150,044	783,766	-	-	30,931	964,741
	Accounts Receivable							
	HUD- Other Projects		17,558					17,558
	Miscellaneous			19,407				19,407
126	Tenants - Dwelling Rents	-	2,317	-				2,317
126.1	Allowance for Doubtful Accounts - Dwelling	-	-					-
128	Fraud Recovery	-	-	1,759	-	-	-	1,759
128.1	Allowances for Doubtful Accounts - Fraud R	-	-	(1,190)	-	-	-	(1,190)
120	Total Receivables, Net of Allowances for Do	-	19,875	19,976	-	-	-	39,851
	Investments and Other Assets							
142	Prepaid Items and Other Assets	-	9,805	2,961	-	-	-	12,766
143	Inventories	-			-	-	-	-
143.1	Allowance for Obselete Inventories	-			-	-	-	-
	Total Investments and Other Assets	-	9,805	2,961	-	-	-	12,766
150	Total Current Assets	-	179,724	806,703	-	-	30,931	1,017,358
	Non-Current Assets							
	Capital Assets							
161	Land	-	209,300	-	-	-	75,000	284,300
162	Buildings	-	4,764,441	-	-	-	584,587	5,349,028
163	Furniture and Equipment		2,712	-			14,450	17,162
164	Office Equipment	-	65,680	-	-	-	105,453	171,133
165	Leasehold Improvements	-	-	-	-	-	-	-
166	Accumulated Depreciation	-	(3,723,559)		-	-	(196,938)	(3,920,497)
160	Total Capital Assets, net of accumulated dep	-	1,318,574	-	-	-	582,552	1,901,126
180	Total Non-Current Assets	-	1,318,574	-	-	-	582,552	1,901,126
190	Total Assets	$ -	$ 1,498,298	$ 806,703	$ -	$ -	$ 613,483	$ 2,918,484

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITED TO HUD
DECEMBER 31, 2009

FDS Line Item No.	Account Description	Public Housing Capital Fund Program	Low Rent	14.871 Housing Choice Vouchers Program	14.182 Section 8 New Construction	14.238 Shelter Plus Care Program	Business Activities	Total
	Current Liabilities							
312	Accounts Payable	$ -	$ 32,480	$ 14,177	$ -	$ -		$ 46,657
	Accounts payalbe - Other government		8,527					8,527
	Accounts payalbe - HUD							-
321	Accrued Wages and Payroll Taxes	-	-	8,272	-	-	-	8,272
322	Accrued Compensated Absences	-	312	7,111	-	-	-	7,423
	Tenant security deposits		8,178					8,178
	Current portion of long-term debt		4,126					4,126
	Deferred revenues			474,435				474,435
345	Other Current Liabilities	-	-	-	-	-	-	-
310	Total Current Liabilities	-	53,623	503,995	-	-	-	557,618
	Long-term debt, net of current portion		6,437					6,437
354	Accrued Compensated Absences - Non-Curren	-	5,566	8,527	-	-	-	14,093
353	Non-Current Liabilities - Other	-	-	-	-	-	-	-
350	Total Non-Current Liabilities	-	12,003	8,527	-	-	-	20,530
300	Total Liabilities	-	65,626	512,522	-	-	-	578,148
	Net Assets							
508.1	Invested in Capital Assets	-	1,308,011	-	-	-	582,552	1,890,563
511.1	Restricted Net Assets	-	8,178	142,240	-	-	-	150,418
512.1	Unrestricted Net Assets	-	116,483	151,941	-	-	30,931	299,355
	Total Net Assets	-	1,432,672	294,181	-	-	613,483	2,340,336
600	Total Liabilities and Net Assets	$ -	$ 1,498,298	$ 806,703	$ -	$ -	$ 613,483	$ 2,918,484

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

FDS Line Item No.	Account Description	Public Housing Capital Fund Program	Low Rent	14.871 Housing Choice Vouchers Program	14.182 Section 8 New Construction	14.238 Shelter Plus Care Program	Business Activities	Total
	Revenues							
703	Net Tenant Rental Revenue	$ -	$ 213,440	$ -	$ -	$ -	$ -	213,440
704	Tenant Revenue - Other	-	800	-	-	-	-	800
706-010	Housing Assistance Payment Revenues	-	-					-
706-020	Administrative Fees Revenues	-	-					-
706	HUD PHA Operating Grants	-	207,735	5,681,505		257,557		6,146,797
714-010	Housing Assistance Payment Revenues	-	-					-
714-020	Administrative Fees Revenues	-	-					-
715	Other Revenue	-	2,934	11,257	-	3,000	1,901	19,092
	Total Revenues	-	424,909	5,692,762	-	260,557	1,901	6,380,129
	Expenses							
973-##	Housing Assistance Payments	-	-	4,962,861		260,557	-	5,223,418
911	Admin Salaries	-	87,789	264,621			1,349	353,759
912	Auditing Fees	-	3,842	3,842			-	7,684
914	Compensated Absences	-		21,328			-	21,328
915	Employee Benefits Contributions - Administrative	-	60,886	133,366			-	194,252
916	Other Operating - Administrative	-	19,806	61,559	-	-	-	81,365
924	Tenant Services - Other	-	2,876		-	-	-	2,876
931	Water	-	21,891	581	-	-	-	22,472
932	Electricity	-	50,217	5,305	-	-	-	55,522
933	Gas	-	36,834	4,694	-	-	-	41,528
938	Other Utilities Expenses	-		6,870	-	-	-	6,870
941	Ordinary Maintenance and Operations - labor	-	63,497		-	-	-	63,497
942	Ordinary Maintenance and Operations - Materials	-	13,078	9,001	-	-	-	22,079
943	Ordinary Maintenance and Operations - Contract	-	51,790	15,751	-	-	-	67,541
952	Protective services - other contract costs	-	783		-	-	-	783
961	Insurance Premiums	-	12,317	12,964	-	-	-	25,281
	Interest Expense		408					408
962	Other General	-	11,806	26,494	-	-	4,768	43,068
974	Depreciation Expense	-	94,878	9,827	-	-	20,750	125,455
963	Payment in Lieu of taxes	-	9,480		-	-	-	9,480
966	Bad Debts - Other	-			-	-	-	-
969	Total Operating Expenses	-	542,178	5,539,064	-	260,557	26,867	6,368,666
970	Excess Operating Expenses Over Operating Rever	-	(117,269)	153,698	-	-	(24,966)	11,463
	Other Income (Expenses)							
711	Investment Income	-	-	-	-	-	528	528
	Total Other Income (Expenses)	-	-	-	-	-	528	528
1000	Loss before capital grants and transfers	-	(117,269)	153,698	-	-	(24,438)	11,991
706.1	Capital Grants		84,256					84,256
1104	Equity Transfers		-					-
	Net Income	-	(33,013)	153,698	-	-	(24,438)	96,247
	Beginning equity		1,465,685	140,483		-	637,921	2,244,089
	Ending equity		1,432,672	294,181	-	-	613,483	2,340,336

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2009

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	$ 207,735	$ 207,735
Public Housing Capital Fund Program	14.872	C-5013	84,256	84,256
Section 8 Tenant Based Cluster:				
Section 8 Housing Choice Voucher	14.871	C-5044	5,681,505	5,681,505
Shelter Plus Care Program	14.238	C-5044	257,557	257,557
Total Federal Assistance			$6,231,053	$6,231,053

NOTE: This schedule has been prepared on the accrual basis of accounting. The amounts shown as current year expenditures agree to the Authority's records.

See independent auditors' report.

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2009

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 significant deficiencies 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 significant deficiencies 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:
   Section 8 Housing Choice Voucher CFDA 14.871

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 17, 2010