

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO**

SEPTEMBER 30, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS



**Auditor of State
Betty Montgomery**

Board of Commissioners
London Metropolitan Housing Authority
179 Main Street
London, Ohio 43140

We have reviewed the Independent Auditor's Report of the London Metropolitan Housing Authority, Madison County, prepared by Vanderhorst & Manning CPAs, LLC, for the audit period October 1, 2002 to September 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 5, 2004

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LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
SEPTEMBER 30, 2003

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VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
London Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying balance sheet of the London Metropolitan Housing Authority (Authority) as of September 30, 2003, and the related statements of revenues, expenses and equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the London Metropolitan Housing Authority as of September 30, 2003, 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 of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 1, 2004 on our consideration of the London Metropolitan Housing Authority's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 general purpose financial statements of the London Metropolitan Housing Authority taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis, and are not a required part of the financial statements of the London Metropolitan Housing Authority. The combining financial data (FDS) schedule is presented for purposes of additional analysis as required by the Department of Housing and Urban Development. These schedules are the responsibility of the management of London Metropolitan Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

March 1, 2004

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**LONDON METROPOLITAN HOUSING AUTHORITY
 COMBINED BALANCE SHEET
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 SEPTEMBER 30, 2003**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	72,581
Investment		20,000
Tenant Receivables - Net of \$503 Allowance		
For Doubtful Accounts		5,083
Other Receivables		134
Governmental Accounts Receivable		29,732
Prepaid Expenses		12,026
TOTAL CURRENT ASSETS	\$	<u>139,556</u>

Property and Equipment - Net of \$2,285,545		
Accumulated Depreciation		<u>1,662,044</u>

TOTAL ASSETS	\$	<u><u>1,801,600</u></u>
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LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accounts Payable	\$	36,644
Tenant Security Deposits		9,421
Accrued Wages and Payroll Taxes		2,412
Other Current Liabilities		12,785
TOTAL CURRENT LIABILITIES	\$	<u>61,262</u>

Accrued Absences - Long-term	\$	<u>7,337</u>
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EQUITY

Contributed Capital	\$	1,879,771
Undesignated Retained Earnings		<u>(146,770)</u>
TOTAL EQUITY	\$	<u>1,733,001</u>

TOTAL LIABILITIES AND EQUITY	\$	<u><u>1,801,600</u></u>
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See accompanying notes to the general purpose financial statements.

**LONDON METROPOLITAN HOUSING AUTHORITY
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2003**

REVENUE

HUD Grants	\$ 188,818
HUD Capital Grants	40,258
Rental Income	196,451
Interest Income	931
Other Income	<u>4,255</u>
 TOTAL REVENUE	 \$ <u>430,713</u>

EXPENSES

Administrative Salaries	\$ 48,671
Employee Benefits	46,805
Auditing Fees	3,382
Sundry Administration	51,914
Utilities	68,599
Material & Labor	101,714
Depreciation	175,280
General	<u>62,577</u>
 TOTAL EXPENSES	 \$ <u>558,942</u>
 NET INCOME	 \$ (128,229)

Retained Earnings and Other Credits - Beginning of Year	<u>1,861,230</u>
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Retained Earnings and Other Credits - End of Year	\$ <u><u>1,733,001</u></u>
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See accompanying notes to the general purpose financial statements.

**LONDON METROPOLITAN HOUSING AUTHORITY
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 YEAR ENDED SEPTEMBER 30, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from HUD	\$ 199,344
Cash received from Tenants & Other	199,622
Cash Payments Operating Expenses	<u>(359,804)</u>

NET CASH USED FROM OPERATING ACTIVITIES \$ 39,162

CASH FLOWS FROM FINANCING ACTIVITIES

Change in Property and Equipment	\$ <u>(50,034)</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS \$ (10,872)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 83,453

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 72,581

**RECONCILIATION OF OPERATING INCOME TO NET CASH
 USED BY OPERATING ACTIVITIES:**

Net Operating Income	\$ (128,229)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation	175,280
Changes in Operating Assets and Liabilities that Increase/Decrease Cash Flows:	
Receivables	(33,550)
Prepaid Expenses	718
Accounts Payable	25,566
Accrued Wages and Payroll Taxes	1,014
Other Current Liabilities	(2,731)
Tenant Security Deposits	<u>1,094</u>

NET CASH USED IN OPERATING ACTIVITIES \$ 39,162

See accompanying notes to the general purpose financial statements.

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The London 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 London Metropolitan Housing Authority and the 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 accompanying general purpose 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 financial 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 organizations' 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.

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2003

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 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.

Measurement Focus/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 on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of Estimates

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

Cash and Cash Equivalents

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

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Tenant Receivables – Recognition of Bad Debts

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

Property and Equipment

Property and Equipment is recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred.

Depreciation is recorded on the straight-line method.

Long-Term Debt/HUD Contributions

To provide for the development and modernization of low-rent housing units, LMHA issued New Housing Authority Bonds and Permanent Notes – F.F.B. These bonds and notes are payable by HUD and secured by annual contributions. The bonds and notes do not constitute a debt by the Authority and accordingly have not been reported in the accompanying financial statements.

Accounting and Reporting for Nonexchange Transactions

For the fiscal year ended September 30, 2003, the Authority has implemented GASB statement 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement 36 "Recipient Reporting for Certain Shared Nonexchanged Revenues." At October 1, 2001, there were no effects on fund equity as a result of implementing GASB 33 and GASB 36.

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2003

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable 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, including any bank balance that is collateralized 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 balance) in each category:

Category 1. \$97,057 was covered by federal depository insurance. The corresponding Authority's balances were \$92,581.

Collateral is required for demand deposits and certificates of deposit at 110 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2003

NOTE 2 – CASH AND CASH EQUIVALENTS - continued

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of U.S. Treasury, agencies and instrumentalities, 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 through specified 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. For purposes of GASB No. 3, the Authority has no investments at September 30, 2003.

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2003, by class is as follows:

	<u>Sept 30,2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Sept 30,2003</u>
Buildings and Building Improvements	\$ 3,165,844	144,694		\$ 3,310,538
Land and Land Improvements	340,739			340,739
Furniture and Fixtures, Equipment and Moving Vehicles	170,204	9,776		179,980
Construction in Progress	<u>220,768</u>	<u> </u>	<u>104,436</u>	<u>116,332</u>
Total	\$ 3,897,555	154,470	104,436	\$ 3,947,589
Less Accumulated Depreciation	<u>2,110,265</u>	<u>175,280</u>	<u>0</u>	<u>2,285,545</u>
Net Property and Equipment	<u>\$ 1,787,290</u>	<u>\$(20,810)</u>	<u>\$104,436</u>	<u>\$ 1,662,044</u>

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2003

NOTE 4 – RETIREMENT AND OTHER BENEFIT PLANS

All employees of the Authority participate in the PERS of Ohio, a cost-sharing multiple-employer defined benefit pension plan. The PERS of Ohio provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. PERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-7377.

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 2002 employer contribution rate was 13.55% of covered payroll, 8.55 percent to fund pension and 5.0 percent to fund health care. 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 contributions to PERS for the years ended September 30, 2003, 2002 and 2001 were \$12,982, \$14,245, and \$12,537, respectively. All required contributions were made prior to each of those fiscal year ends.

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. 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 employer contributions. The 2003 employer contribution rate for state employers was 13.55% of covered payroll: 5% was the portion that was used to fund health care for the year, under the new calculation methodology.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.00 percent. An annual increase of 4.00 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.00 percent annually.

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2003

NOTE 4 – RETIREMENT AND OTHER BENEFIT PLANS - continued

Benefits advanced-funded on an actuarially determined basis. The number of active contributing participants was \$402,041. The actuarial value of the PERS Ohio's net assets available for OPEB at December 31, 2001 was \$11.6 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 million and \$8.4 billion, respectively.

NOTE 5 – COMPENSATED ABSENCES

The Board of Commissioners establishes vacation and sick leave policies.

Annual vacation and sick leave is given to all full time permanent employees at varying rates each year, based upon years of service of each respective employee. Certain portions of such leave may be accrued if not taken currently each year, but none of which may be paid to the employee except upon permanent termination, provided the employee is not dismissed for cause. At September 30, 2003, the Authority has accrued vacation and sick leave in the amount of \$7,337, long-term and \$533 current portion.

NOTE 6 – INSURANCE

The Housing Authority maintains comprehensive insurance coverage with private carriers for health, real property, building and contents. There were no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

NOTE 7 – FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended September 30, 2003, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and charges in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules is on pages 14 - 15. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements.

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2003

NOTE 8 – CONTINGENCIES

Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at September 30, 2003.

Commitments and Contingencies

The authority has, under its normal operations, entered into commitments for the purchase of maintenance, cleaning, and other services. Such commitments are monthly or annually.

The Authority is exposed to various risks of loss related to torts; theft to, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. At September 30, 2003, the Authority was not involved in any such matters.

Utility Allowance

A report of the Inspector General of the U.S. Department of Housing & Urban Development, dated March 22, 2002, had indicated that in view of a failure of the housing Authority to review utility costs over a period of eight years and its impact on rents, tenants may have been overcharged an amount approximating nearly \$196,000 in rent and if efforts were made to reimburse tenants, then no financial assistance should be available from HUD for that purpose. Management however maintains that the value represented as the estimate is substantially overstated by nearly 250%, as supported by a subsequently secured independent study.

This matter was settled and \$24,250 was determined to be the liability the Authority has in regards to reimbursing tenants. This liability has been reflected on the Authority's records.

LONDON METROPOLITAN HOUSING AUTHORITY
 COMBINING BALANCE SHEET
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 SEPTEMBER 30, 2003

FDS LINE NO.	Account Description	14.850 Low Rent Public Hsg	14.872 Public Hsg Capital Fund	14.852 Public Hsg CIAP	14.854 Public Hsg Drug Elim.	Total
ASSETS						
111	Cash - unrestricted	\$ 64,588	\$ 0	\$ 0	\$ 0	\$ 64,588
114	Cash - Tenant Security	7,993	0	0	0	7,993
100	Total Cash	<u>72,581</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>72,581</u>
122	Accounts receivable - HUD Other Projects	0	9,829	0	19,903	29,732
125	Accounts receivable - Misc	134	0	0	0	134
126	Accounts receivable - Tenant	5,586	0	0	0	5,586
126.1	Allowance for doubtful accounts - tenant	(503)	0	0	0	(503)
126.2	Allowance for doubtful accounts - other	0	0	0	0	0
129	Accrued interest receivable	0	0	0	0	0
120	TOTAL RECEIVABLES - NET	<u>5,217</u>	<u>9,829</u>	<u>0</u>	<u>19,903</u>	<u>34,949</u>
131	Investments - Unrestricted	20,000	0	0	0	20,000
142	Prepaid Expenses and Other	12,026	0	0	0	12,026
144	Interprogram Due From	29,732	0	0	0	29,732
150	Total Current Assets	<u>139,556</u>	<u>9,829</u>	<u>0</u>	<u>19,903</u>	<u>169,288</u>
161	Land	340,739	0	0	0	340,739
162	Buildings	3,310,538	0	0	0	3,310,538
163	Furniture and equipment - Dwelling	108,525	0	0	0	108,525
164	Furniture and equipment - Admin	71,455	0	0	0	71,455
166	Accumulated depreciation	(2,285,545)	0	0	0	(2,285,545)
167	Construction in Progress	0	116,332	0	0	116,332
180	TOTAL NON-CURRENT ASSETS	<u>1,545,712</u>	<u>116,332</u>	<u>0</u>	<u>0</u>	<u>1,662,044</u>
190	TOTAL ASSETS	<u>\$ 1,685,268</u>	<u>\$ 126,161</u>	<u>\$ 0</u>	<u>\$ 19,903</u>	<u>\$ 1,831,332</u>
LIABILITIES AND RETAINED EARNINGS						
312	Accounts payable <=90 days	\$ 36,644	\$ 0	\$ 0	\$ 0	\$ 36,644
321	Accrued Wage/Payroll taxes payable	1,879	0	0	0	1,879
322	Accrued Compensated Absences	533	0	0	0	533
333	Accounts payable - other Gov	12,785	0	0	0	12,785
341	Tenant Security Deposits	9,421	0	0	0	9,421
347	Interprogram Due to	0	9,829	0	19,903	29,732
310	TOTAL CURRENT LIABILITIES	<u>61,262</u>	<u>9,829</u>	<u>0</u>	<u>19,903</u>	<u>90,994</u>
354	Accrued Compensated Absences-non current	7,337	0	0	0	7,337
300	TOTAL LIABILITIES	<u>68,599</u>	<u>9,829</u>	<u>0</u>	<u>19,903</u>	<u>98,331</u>
508	Total Contributed Capital	1,879,771	0	0	0	1,879,771
512	Undesignated Fund Balance/Retained	(263,102)	116,332	0	0	(146,770)
513	TOTAL EQUITY/NET ASSETS	<u>1,616,669</u>	<u>116,332</u>	<u>0</u>	<u>0</u>	<u>1,733,001</u>
600	TOTAL LIABILITIES AND EQUITY NET ASSETS	<u>\$ 1,685,268</u>	<u>\$ 126,161</u>	<u>\$ 0</u>	<u>\$ 19,903</u>	<u>\$ 1,831,332</u>

LONDON METROPOLITAN HOUSING AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 SEPTEMBER 30, 2003

DS LINE ITEM NO.	Account Description	14.850 Low Rent Public Hsg	14.872 Public Hsg Capital Fund	14.852 Public Hsg CIAP	14.854 Public Hsg Drug Elim	Total
REVENUE						
703	Net Tenant Revenue	\$ 196,451	\$ 0	\$ 0	\$ 0	\$ 196,451
705	Total Tenant Revenue	196,451	0	0	0	196,451
706	HUD PHA Operating Grants	141,386	9,829	17,700	19,903	188,818
706.1	Capital Grants	0	35,958	4,300	0	40,258
711	Investment income	931	0	0	0	931
715	Other Revenue	4,255	0	0	0	4,255
700	TOTAL REVENUE	<u>343,023</u>	<u>45,787</u>	<u>22,000</u>	<u>19,903</u>	<u>430,713</u>
EXPENSES						
911	Administrative Salaries	32,277	4,907	0	10,954	48,138
912	Auditing fees	3,382	0	0	0	3,382
914	Compensated Absences	533	0	0	0	533
915	Employee Benefit Admin	15,786	1,485	0	6,245	23,516
916	Other Operating - Admin	27,873	3,437	17,700	2,704	51,714
921	Tenant Services - Salaries	200	0	0	0	200
931	Water	21,668	0	0	0	21,668
932	Electric	10,979	0	0	0	10,979
933	Gas	35,952	0	0	0	35,952
941	Ordinary Mtce & Op. Labor	47,672	0	0	0	47,672
942	Ordinary Mtce & Op. Materials	17,036	0	0	0	17,036
943	Ordinary Mtce & Op. Contract Costs	37,006	0	0	0	37,006
945	Employee Benefit Contr. Mtce	23,289	0	0	0	23,289
961	Insurance Premiums	23,475	0	0	0	23,475
962	Other General Expenses	24,250	0	0	0	24,250
963	Payments in Lieu of Taxes	12,785	0	0	0	12,785
964	Bad Debt - Tenant Rents	2,067	0	0	0	2,067
969	TOTAL OPERATING EXPENSE	<u>336,230</u>	<u>9,829</u>	<u>17,700</u>	<u>19,903</u>	<u>383,662</u>
970	Excess operating revenue over expenses	6,793	35,958	4,300	0	47,051
OTHER EXPENSES						
974	Depreciation expense	175,280	0	0	0	175,280
900	TOTAL EXPENSES (Acct. 969, 973,974)	<u>511,510</u>	<u>9,829</u>	<u>17,700</u>	<u>19,903</u>	<u>558,942</u>
1000	Excess of Operating Revenue over Expenses	(168,487)	35,958	4,300	0	(128,229)
1003	Beginning Equity	1,640,462	80,374	140,394	0	1,861,230
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	144,694	0	(144,694)	0	0
	ENDING EQUITY	<u>\$ 1,616,669</u>	<u>\$ 116,332</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,733,001</u>

LONDON METROPOLITAN HOUSING AUTHORITY

SEPTEMBER 30, 2003

SCHEDULE OF ACTUAL MODERNIZATION COSTS

The actual modernization costs of the project are as follows:

PROJECT 0H16-P023 - 911

Funds Approved	\$ <u>180,437</u>
Funds Expended	
Fees and Costs	\$ 10,000
Operations	18,043
Site Improvement	12,000
Dwelling Structures	<u>140,394</u>
Total Expended	\$ <u>180,437</u>
Excess of Funds Approved	\$ <u><u>0</u></u>

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

VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

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

Board of Directors
London Metropolitan Housing Authority
London, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the general purpose financial statements of London Metropolitan Housing Authority as of and for the year ended September 30, 2003, and have issued our report thereon dated March 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether London 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered London 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 auditing 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 operations that we consider to be material weaknesses.

This report is intended for the information and use of the board of directors, management, Auditor of State and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

March 1, 2004

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Betty Montgomery**

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LONDON METROPOLITAN HOUSING AUTHORITY

MADISON 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
APRIL 20, 2004**