

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO**

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2009**



Mary Taylor, CPA

Auditor of State

Board Members
London Metropolitan Housing Authority
179 S. Main Street
London, Ohio 43140

We have reviewed the *Independent Auditor's Report* of the London Metropolitan Housing Authority, Madison County, prepared by Manning & Associates CPAs, LLC, for the audit period October 1, 2008 through September 30, 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 London Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 26, 2010

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LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO

AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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MANNING & ASSOCIATES

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INDEPENDENT AUDITORS' REPORT

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

Regional Inspector General of Audit
Department of Housing & Urban Development

We have audited the accompanying basic financial statements of the London Metropolitan Housing Authority, Ohio as of and for the year ended September 30, 2009, which collectively comprises London Metropolitan Housing Authority's, basic financial statements as listed in the table of contents. These financial statements are the responsibility of London Metropolitan Housing Authority's, Ohio 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the London Metropolitan Housing Authority, Ohio as of September 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof 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 our report dated February 5, 2010 on our consideration of the London Metropolitan Housing Authority's, Ohio 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 important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 11, are not a required part of the basic financial statements but are supplemental information required by principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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 opinions on the financial statements that collectively comprise the London Metropolitan Housing Authority's, Ohio basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of London Metropolitan Housing Authority, Ohio. The combining financial data schedule ("FDS") is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and are not a required part of the general purpose 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

March 5, 2010

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LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Unaudited

The London Metropolitan Housing Authority's ("the Authority") management's 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), and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- Net assets were \$1,940,312 and \$1,696,614 for fiscal year ending September 30, 2009 and 2008, respectively. The Authority-wide statements reflect an increase of \$243,698 during 2009. This increase is reflective of the year's activities.
- The business-type activity revenue increased by \$90,673 during 2009, and were \$856,545 and \$765,872 for 2009 and 2008, respectively.
- The total expenses of all Authority programs decreased by \$50,268. Total expenses were \$612,847 and \$663,115 for 2009 and 2008, respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

<p>MD&A ~ Management Discussion and Analysis ~</p>
<p>Basic Financial Statements ~ Authority-wide Financial Statements ~ ~ Fund Financial Statement ~ ~ Notes to Financial Statements ~</p>
<p>Other Required Supplementary Information ~ Required Supplementary Information (other than MD&A) ~</p>

The focus is on both the Authority as a whole (authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Unaudited

relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

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 the Authority. The statement is presented in the format where assets, minus liabilities, equal "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 Authority. Net Assets (formerly equity) are reported in three broad categories:

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 Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund 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 Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Unaudited

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Business Type Funds:

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

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

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		<u>2009</u>		<u>2008</u>	
Current and Other Assets	\$	304,493	\$	170,017	
Capital Assets		1,753,506		1,575,906	
Total Assets	\$	<u>2,057,999</u>	\$	<u>1,745,923</u>	
Current Liabilities	\$	110,073	\$	46,047	
Long-Term Liabilities		7,614		3,262	
Total Liabilities		<u>117,687</u>		<u>49,309</u>	
Net Assets:					
Investment in Capital Assets, net of Related Debt		1,753,506		1,573,773	
Unrestricted Net Assets		186,806		122,841	
Total Net Assets		<u>1,940,312</u>		<u>1,696,614</u>	
Total Liabilities and Net Assets	\$	<u>2,057,999</u>	\$	<u>1,745,923</u>	
For more detail information see Statement of Net Assets presented elsewhere in this report.					

Major Factors Affecting the Statement of Net Assets

During 2009 current assets increased by \$134,476 and total liabilities increased by \$68,378. The increase in the current asset is accounted for in the cash balance and investments that increase by a combined total of \$87,739. In addition, the other increase in current assets is an outstanding receivable from HUD of \$48,592 for capital fund formula ARRA grant.

The increase in total liability of \$68,378 is mainly due to an outstanding payable to the roofer Contractor of \$46,878 for work completed at the end of the fiscal year by not paid until October 2009 (following fiscal year).

Capital assets net change between 2009 and 2008 was \$177,600. This is reflected by the current year capital improvements less depreciation expense. See table 5 for detail of current additions.

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Unaudited

Table 2 - Changes of Unrestricted Net Assets		
Beginning Balance - September 30, 2008	\$	122,841
Results of Operation		243,698
Adjustments:		
Current year Depreciation Expense (1)		103,515
Net Assets used for Capital Expenditure (2)		(281,115)
Retirement of Debt		(2,133)
Ending Balance - September 30, 2009	\$	<u>186,806</u>

Table 2a - Changes in Investment in Capital Assets Net of Debt		
Beginning Balance - September 30, 2008	\$	1,573,773
Results of Operation		-
Adjustments:		
Current year Depreciation Expense (1)		(103,515)
Net Assets used for Capital Expenditure (2)		281,115
Retirement of Debt		2,133
Ending Balance - September 30, 2009	\$	<u>1,753,506</u>

Statement of Revenue, Expenses and Change in Net Assets

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Unaudited

Table 3 - Statement of Revenue, Expenses & Changes in Net Assets				
		<u>2009</u>		<u>2008</u>
<u>Revenues</u>				
Total Tenant Revenues	\$	219,922	\$	204,922
Operating Subsidies		343,915		321,631
Capital Grants		274,484		232,616
Investment Income		933		1,228
Other Revenues		17,291		5,475
Total Revenues	\$	856,545	\$	765,872
<u>Expenses</u>				
Administrative		171,357		176,111
Tenant Services		290		0
Utilities		114,227		145,827
Maintenance		180,079		125,337
General and Insurance		43,379		26,132
Depreciation		103,515		189,708
Total Expenses	\$	612,847	\$	663,115
Net Increases (Decreases)	\$	243,698	\$	102,757

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Assets

HUD Operating Grants increased by \$22,284 and Capital Grant Funds increased by \$41,868 during the fiscal year. These increases were due to the level of activity in the capital funded projects, and the additional ARRA grant funds received during the year.

Tenant revenue increased by \$15,000. The increase was primarily due to additional staff effort in screening and verifying family's income.

Expenditure decrease during the year by \$50,268. The decrease was in the area of Utilities (decrease of \$31,600) and Depreciation Expenses (decrease of \$86,193). The maintenance expenses increased for the year by \$54,742. This increase was due to routine maintenance and repairs made in the units that have been neglected over the years due to limited funding.

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$1,753,506 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (current year acquisitions less depreciation) of \$177,600 from the end of last year.

		<u>2008</u>		<u>2008</u>
Land and Land Rights	\$	340,739		340,739
Buildings		3,310,538		3,310,538
Equipment		247,324		242,704
Leasehold Improvements		936,077		796,878
Construction in Progress		145,360		8,064
Accumulated Depreciation		(3,226,532)		(3,123,017)
Total	\$	<u>1,753,506</u>		<u>1,575,906</u>

Table 5 - Changes in Capital Assets

Beginning Balance - September 30, 2008	\$	1,575,906
Current year Additions		281,115
Current year Depreciation Expense		(103,515)
Ending Balance - September 30, 2009	\$	<u>1,753,506</u>
Current year additions are summarized as follows:		
- Construction in Process: Roof Project Phase II		137,296
- Completed Roof Replacement for Phase I		132,985
- Window Replacement		2,714
- Sidewalk replacement		3,500
- Replaced 14 water heaters		4,620
Total Current Year Additions	\$	<u>281,115</u>

Debt Outstanding

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Unaudited

As of year-end, the Authority had no debt outstanding compared to \$2,133 for prior year.

Table 6 - Condensed Statement of Changes in Debt Outstanding		
Beginning Balance - September 30, 2008	\$	2,133
Current Year Principal Payments		(2,133)
Ending Balance - September 30, 2009	\$	-

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

IN CONCLUSION

London Metropolitan Housing Authority takes great pride in its financial management and is pleased to report that once again the Authority closed the fiscal year financially sound. The fiscal year 2009 was a year of accomplishments:

- The housing authority finished the fiscal year averaging an occupancy rate of 97%. We are very proud of this accomplishment by the new management in a short period of time.
- This was the second year in a row that the Authority finished the year with positive cash flows (FYE September 30, 2009 positive cash flow was \$62,343). This was accomplished even though management increased expenditures in routing maintenance repairs and improvements that was desperately needed.
- Thanks to the ARRA funds received of \$176,022, the Authority was able to replace roofs and gutters to all of remaining units.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Sal Consiglio, Manager of the London Metropolitan Housing Authority. Specific requests may be submitted to London Metropolitan Housing Authority, 179 S Main Street, London, OH 43140.

LONDON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 204,313
Certificate of Deposit	45,616
Tenant Receivables - Net of \$878 Allowance For Doubtful Accounts	2,634
HUD Receivable	48,592
Prepaid Expenses	3,338
TOTAL CURRENT ASSETS	\$ 304,493

Property and Equipment - Net of \$3,226,532
Accumulated Depreciation

1,753,506

TOTAL ASSETS

\$ 2,057,999

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 74,251
Tenant Security Deposits	10,796
Accrued Wages and Payroll Taxes	8,568
Accrued Compensated Absences	5,706
Other Current Liabilities	10,752
Current Portion of Long-term Debt	0
TOTAL CURRENT LIABILITIES	\$ <u>110,073</u>

NON-CURRENT LIABILITIES

Compensated Absences-long term	\$ <u>7,614</u>
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TOTAL LIABILITIES

\$ 117,687

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 1,753,506
Unrestricted	186,806
TOTAL NET ASSETS	\$ <u>1,940,312</u>

See accompanying notes to the basic financial statements.

**LONDON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<u>REVENUE</u>	
HUD Grants	\$ 343,915
Rental Income	219,922
Other Income	<u>17,291</u>
 TOTAL REVENUE	 \$ <u>581,128</u>
 <u>EXPENSES</u>	
Administrative Salaries	\$ 39,608
Employee Benefits	47,770
Auditing Fees	5,302
Sundry Administration	49,342
Management Fees	60,000
Utilities	114,227
Material & Labor	157,109
Depreciation	103,515
General	<u>35,974</u>
 TOTAL EXPENSES	 \$ <u>612,847</u>
 OPERATING INCOME	 \$ <u>(31,719)</u>
 <u>NON-OPERATING REVENUES</u>	
Interest Income	\$ 933
HUD Capital Grants	<u>274,484</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 275,417</u>
 CHANGE IN NET ASSETS	 \$ 243,698
 NET ASSETS - OCTOBER 1, 2008	 <u>1,696,614</u>
 NET ASSETS - SEPTEMBER 30, 2009	 \$ <u><u>1,940,312</u></u>

See accompanying notes to the basic financial statements.

**LONDON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from HUD	\$ 342,201
Cash received from Tenants & Other	242,811
Cash Payments Operating Expenses	<u>(440,956)</u>

NET CASH PROVIDED FOR OPERATING ACTIVITIES \$ 144,056

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Grants received for Capital Assets	\$ 227,606
Debit Principal Payment	(4,352)
Acquisition of Property and Equipment	<u>(281,115)</u>
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	<u>\$ (57,861)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	\$ 933
Transfer to Investment	<u>(24,785)</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>\$ (23,852)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS \$ 62,343

CASH AND CASH EQUIVALENTS AT OCTOBER 1, 2008 141,970

CASH AND CASH EQUIVALENTS AT SEPTEMBER 30, 2009 \$ 204,313

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

Net Operating Income (Loss)	\$ (31,719)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation	103,515
Changes in Operating Assets and Liabilities that Increase/Decrease Cash Flows:	
Receivables	1,756
Prepaid Expenses	(7)
Accounts Payable	54,270
Accrued Wages and Payroll Taxes	5,481
Other Current Liabilities	3,890
Tenant Security Deposits	220
Compensated Absences-long term	<u>6,650</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 144,056

See accompanying notes to the basic financial statements.

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The London Metropolitan Housing Authority (the Authority) was created under the Ohio Revised Code Section (3735.27 to engage in the acquisition, development, leasing and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Authority and 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 nucleus of the financial reporting entity as defined by the Government Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989 that do not conflict with GASB pronouncements. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

The Authority’s basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change of net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow of its enterprise activity.

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

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

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Restricted Cash

Restricted cash represents amounts held in FSS escrow and IDA accounts on behalf of tenants.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2009, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Investments

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Cost based measures were applied to nonnegotiable certificates of deposit and money market investments. Interest income earned in fiscal year ended September 30, 2009 totaled \$933.

Subsequent Events

Management has evaluated subsequent events through March 5, 2010, the date on which the financial statements were available to be issued.

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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 collectability of outstanding tenant receivable balances at the end of the year. The allowance of uncollectible receivable was \$872 at September 30, 2009.

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.

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.

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 balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees’ rights to receive

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

compensation is attributable to services already rendered and is not contingent on a specific event that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

Due From/To Other Programs

Interprogram receivables and payables on the FDS Schedule on pages 23-24 are eliminated on the Statement of Net Assets.

Deferred Revenue

Deferred revenue represents rental receipts received before the first of the month when due.

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.

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

The carrying amount of the Authority’s deposits was \$249,929 at September 30, 2009. The corresponding bank balances were \$253,090

The following show the Authority’s deposits (bank balance) in each category:

Category 1. \$253,090 was covered by federal depository insurance.

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.

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, 2009.

NOTE 3 – CAPITAL ASSETS

The following is a summary of the Authority’s capital assets.

	<u>2009</u>
<u>Capital Assets Not Depreciated</u>	
Land and Land Improvements	\$340,739
Construction in Progress	<u>145,360</u>
Total Capital Assets Not Depreciated	<u>\$486,099</u>
<u>Capital Assets Being Depreciated</u>	
Buildings and Building Improvements	\$4,246,615
Furniture and Fixtures, Equipment and Moving Vehicles	<u>247,324</u>
Total Capital Assets Being Depreciated	4,493,939
Less: Accumulated Depreciation	<u>(3,226,562)</u>
Subtotal Capital Assets Being Depreciated	<u>1,267,407</u>
Total Capital Assets	<u>\$1,753,506</u>

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 3 – CAPITAL ASSETS – (continued)

A summary of changes in capital assets at September 30, **2009, and 2008** is as follows:

<u>2009</u>	<u>Sept 30, 2008</u>	<u>Restatements & Reclassification</u>	<u>Additions</u>	<u>Sept 30,</u>
<u>Capital Assets Not Depreciated</u>				
Land and Land Improvements	\$ 340,739	0	0	340,739
Construction in Progress	8,064	0	137,296	145,360
Total Capital Assets Not Depreciated	<u>524,924</u>	<u>0</u>	<u>137,296</u>	<u>486,099</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Building Improvements	\$ 4,107,416	0	139,199	\$ 4,246,615
Furniture and Fixtures, Equipment and Moving Vehicles	<u>242,704</u>	<u>0</u>	<u>4,620</u>	<u>247,324</u>
Total Capital Assets Being Depreciated	<u>\$ 4,350,120</u>	<u>0</u>	<u>143,819</u>	<u>\$ 4,493,939</u>
<u>Accumulated Depreciation</u>				
Buildings and Improvements	(2,921,045)	0	(103,545)	(3,024,590)
Furniture and Fixtures, Equipment and Moving Vehicles	<u>(201,972)</u>	<u>0</u>	<u>(0)</u>	<u>(201,972)</u>
Total Accumulated Depreciation	<u>(3,123,017)</u>	<u>0</u>	<u>(103,515)</u>	<u>(3,226,562)</u>
Depreciable Assets, Net	<u>1,227,103</u>	<u>0</u>	<u>40,304</u>	<u>1,267,407</u>
Total Capital Assets, Net	<u>\$ 1,575,906</u>	<u>\$ 0</u>	<u>\$ 177,600</u>	<u>\$ 1,753,506</u>

NOTE 4 – RETIREMENT AND OTHER BENEFIT PLANS

All employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. The OPERS 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. OPER issues a stand-alone financial report that includes financial statements and required supplementary information for the OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 1-800-222-7377, or on the web at www.opers.org.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10% of qualifying gross wages for all employees. The total 2009 employer contribution rate was 14% of covered payroll, 17 percent to fund pension and 7 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 OPERS for the years ended September 30, 2009, 2008 and 2007 were 12,353, \$13,597, and \$19,004, respectively.

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 4 – RETIREMENT AND OTHER BENEFIT PLANS – (continued)

OPERS 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 2009 employer contribution rate for state employers was 14% of covered payroll: 7% was the portion that was used to fund health care for the year, under the new calculation methodology. The number of active contributing participants was 364,076 as of December 31, 2007.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the OPERS latest actuarial review performed as of December 31, 2007. 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 2007 was 6.50 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 4.00 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 4% for the next 7 years. In subsequent years, (8 and beyond) health care cost were assumed to increase at 4% (the project wage inflation rate).

As of December 31, 2007, the audited estimated net assets available for future OPEB payments were \$12.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$29.8 billion and \$17.0 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board is effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which will allow additional, funds to be allocated to the health care plan.

The benefit recipients will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a medical spending account.

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, 2009, the Authority has accrued vacation and sick leave in the amount of \$5,706 long-term and \$7,614 current portion.

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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, 2009, 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 23 and 24. 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

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, 2009.

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, 2009, the Authority was not involved in any such matters.

NOTE 10 – AUTHORITY MANAGEMENT

During 2009, The Authority's Board of Commissioners decided it would be beneficial to the Authority to eliminate the Director's position and hire an independent agent to manage the Authority's activities.

LONDON METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2009

FDS LINE NO.	Account Description	14.850 Low Rent Public Hsg	14.872 Public Hsg Capital Fund	14.855 AARA Capital Fund	Total
ASSETS					
111	Cash - unrestricted	\$ 193,517	\$ 0	\$ 0	\$ 193,517
114	Cash - Tenant Security	10,796	0	0	10,796
100	Total Cash	<u>204,313</u>	<u>0</u>	<u>0</u>	<u>204,313</u>
122	Accounts receivable - HUD Other Projects	0	0	48,592	48,592
125	Accounts receivable - Misc	0	0	0	0
126	Accounts receivable - Tenant	3,512	0	0	3,512
126.1	Allowance for doubtful accounts - tenant	(878)	0	0	(878)
126.2	Allowance for doubtful accounts - other	0	0	0	0
129	Accrued interest receivable	0	0	0	0
120	TOTAL RECEIVABLES - NET	<u>2,634</u>	<u>0</u>	<u>48,592</u>	<u>51,226</u>
131	Investments - Unrestricted	45,616	0	0	45,616
142	Prepaid Expenses and Other	3,338	0	0	3,338
144	Interprogram Due From	0	0	0	0
150	Total Current Assets	<u>255,901</u>	<u>0</u>	<u>48,592</u>	<u>304,493</u>
161	Land	340,739	0	0	340,739
162	Buildings	3,310,538	0	0	3,310,538
163	Furniture and equipment - Dwelling	113,145	0	0	113,145
164	Furniture and equipment - Admin	134,179	0	0	134,179
165	Leasehold improvements	936,077	0	0	936,077
166	Accumulated depreciation	(3,226,532)	0	0	(3,226,532)
167	Construction in Progress	145,360	0	0	145,360
180	TOTAL NON-CURRENT ASSETS	<u>1,753,506</u>	<u>0</u>	<u>0</u>	<u>1,753,506</u>
190	TOTAL ASSETS	<u>\$ 2,009,407</u>	<u>\$ 0</u>	<u>\$ 48,592</u>	<u>\$ 2,057,999</u>
LIABILITIES AND RETAINED EARNINGS					
312	Accounts payable <=90 days	\$ 27,373	\$ 0	\$ 46,878	\$ 74,251
321	Accrued Wage/Payroll taxes payable	8,568	0	0	8,568
322	Accrued Compensated Absences	5,706	0	0	5,706
333	Accounts payable - other Gov	9,784	0	0	9,784
341	Tenant Security Deposits	10,796	0	0	10,796
342	Deferred Revenue	968	0	0	968
343	Current Portion of Long-Term Debt	0	0	0	0
347	Interprogram Due	0	0	0	0
310	TOTAL CURRENT LIABILITIES	<u>63,195</u>	<u>0</u>	<u>46,878</u>	<u>110,073</u>
353	Noncurrent liabilities - other	0	0	0	0
354	Accrued Compensated Absences-non current	7,614	0	0	7,614
350	TOTAL NONCURRENT LIABILITIES	<u>7,614</u>	<u>0</u>	<u>0</u>	<u>7,614</u>
300	TOTAL LIABILITIES	<u>70,809</u>	<u>0</u>	<u>46,878</u>	<u>117,687</u>
508.1	Invested in Capital Assets, Net of Debt	1,753,506	0	0	1,753,506
512.1	Unrestricted Net Assets	186,806	0	0	186,806
513	TOTAL EQUITY/NET ASSETS	<u>1,940,312</u>	<u>0</u>	<u>0</u>	<u>1,940,312</u>
TOTAL LIABILITIES AND EQUITY					
600	NET ASSETS	<u>\$ 2,011,121</u>	<u>\$ 0</u>	<u>\$ 46,878</u>	<u>\$ 2,057,999</u>

LONDON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2009

FDS LINE ITEM NO.	Account Description	14.850 Low Rent Public Hsg	14.872 Public Hsg Capital Fund	14.855 AARA Capital Fund	Total
REVENUE					
703	Net Tenant Revenue	\$ 219,922	\$ 0	\$ 0	\$ 219,922
704	Net Tenant Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
705	Total Tenant Revenue	219,922	0	0	219,922
706	HUD PHA Operating Grants	309,015	34,349	551	343,915
706.1	Capital Grants	0	129,160	145,324	274,484
711	Investment income	933	0	0	933
715	Other Revenue	<u>17,291</u>	<u>0</u>	<u>0</u>	<u>17,291</u>
700	TOTAL REVENUE	<u>547,161</u>	<u>163,509</u>	<u>145,875</u>	<u>856,545</u>
EXPENSES					
911	Administrative Salaries	39,608			39,608
912	Auditing fees	5,302			5,302
913	Management Fee	60,000			60,000
913.1	Book-Keeping Fee	9,800			9,800
914	Compensated Absences	6,650			6,650
915	Employee Benefit Admin	18,150			18,150
916	Office Expenses	25,033		551	25,584
917	Legal Expenses	12,323			12,323
918	Travel	880			880
931	Water	17,641			17,641
932	Electric	11,982			11,982
933	Gas	67,217			67,217
934	Sewer	17,387			17,387
935	Refuse	22,886			22,886
941	Ordinary Mtce & Op. Labor	50,127			50,127
942	Ordinary Mtce & Op. Materials	33,495			33,495
943	Ordinary Mtce & Op. Contract Costs	50,601			50,601
945	Employee Benefit Contr. Mtce	22,970			22,970
961	Insurance Premiums	21,662			21,662
963	Payments in Lieu of Taxes	9,784			9,784
964	Bad Debt - Tenant Rent	3,667			3,667
965	Severance	<u>1,616</u>			<u>1,616</u>
969	TOTAL OPERATING EXPENSE	<u>508,781</u>	<u>0</u>	<u>551</u>	<u>509,332</u>
970	Excess operating revenue over expenses	38,380	163,509	145,324	347,213
OTHER EXPENSES					
974	Depreciation expense	<u>103,515</u>			<u>103,515</u>
900	TOTAL EXPENSES (Acct. 969, 973,974)	<u>612,296</u>	<u>0</u>	<u>551</u>	<u>612,847</u>
1001	Operating Transfers In	34,313			34,313
1002	Operating Transfers Out	<u>145,324</u>	<u>34,313</u>	<u>(145,324)</u>	<u>179,637</u>
1010	Total Other Financing Sources(Uses)	179,637	34,313	(145,324)	219,637
1000	Excess of Operating Revenue over Expenses	(176,146)	129,196	290,648	243,698
1103	Beginning Equity	<u>1,696,614</u>	<u>0</u>	<u>0</u>	<u>1,696,614</u>
1104	Prior Period Adjustments, Equity Transfers and Correction on Errors	<u>129,196</u>	<u>(129,196)</u>	<u>0</u>	<u>0</u>
	ENDING EQUITY	<u>\$ 1,649,664</u>	<u>\$ 0</u>	<u>\$ 290,648</u>	<u>\$ 1,940,312</u>

LONDON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Federal CFDA Number</u>	<u>Funds Expended</u>
<u>FROM U. S. DEPT. OF HUD DIRECT PROGRAMS</u>		
Annual Contribution Public Housing:		
PHA Owned Housing:		
Operating Subsidy - Low Rent	14.850	\$ <u>343,915</u>
Modernization Program:		
Capital Fund Program	14.872	\$ <u>163,473</u>
ARRA Grant	14.885	<u>145,875</u>
TOTAL - ALL PROGRAMS		\$ <u><u>653,263</u></u>

The accompanying notes to this schedule are an integral part of this schedule.



MANNING & ASSOCIATES

Certified Public Accountants, LLC

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Sandra L. Comer, CPA

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John M. Keller, CPA

**INDEPENDENT AUDITORS' 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***

The Board of Commissioners
London Metropolitan Housing Authority
London, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the financial statements of London Metropolitan Housing Authority, as of and for the year ended September 30, 2009, and have issued our report thereon dated March 5, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered London Metropolitan Housing Authority's, Ohio internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the London Metropolitan Housing Authority's, Ohio internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the London Metropolitan Housing Authority's, Ohio 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 timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the London Metropolitan Housing Authority's, Ohio 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 London Metropolitan Housing Authority's, Ohio financial statements that is more than inconsequential will not be prevented or detected by the London Metropolitan Housing Authority's, Ohio 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 London Metropolitan Housing Authority's, Ohio internal control.

Our consideration of the 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 the 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.

London Metropolitan Housing Authority
Board of Directors
Independent Auditors' 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*
Page 2

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio
March 5, 2010



MANNING & ASSOCIATES

Certified Public Accountants, LLC

John M. Manning, CPA

Sandra L. Comer, CPA

John C. Bensman, CPA

John M. Keller, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Commissioners
London Metropolitan Housing Authority
London, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of London Metropolitan Housing Authority, Ohio 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 September 30, 2009. The summary of auditor’s results section of the accompanying schedule of findings and question cost identifies the Authority’s major federal programs. The Authority’s management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the London Metropolitan Housing Authority’s, Ohio compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about London Metropolitan Housing Authority’s, Ohio 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 of London Metropolitan Housing Authority’s, Ohio compliance with those requirements.

In our opinion, London Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended September 30, 2009.

Internal Control over Compliance

The management of London Metropolitan Housing Authority, Ohio 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 London Metropolitan Housing Authority’s, Ohio internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the London Metropolitan Housing Authority’s, Ohio internal control over compliance.

London Metropolitan Housing Authority
Board of Commissioners
Report on Compliance with Requirements Applicable
to Its Major Program and on Internal Control
over Compliance in Accordance with *OMB Circular A-133*
Page 2

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in 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 affects 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.

This report is intended solely for the information and use of the Board of Commissioners, management, the Auditor of State, federal awarding agencies, pass-through entities, and other members of the Authority. It is not intended to be and should not be used by anyone other than these specified parties.

Dayton, Ohio
March 5, 2010

Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505

London Metropolitan Housing Authority
 September 30, 2008

1. SUMMARY OF AUDITORS' RESULTS	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
Was there any reported material non-compliance at the financial statement level (GAGAS)?	NO
Were there any material internal control weakness conditions reported for major federal programs?	NO
Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	NO
Major Programs (list):	CFDA#14.850
Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All others
Low Risk Auditee?	Yes

Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505 - Continued

London Metropolitan Housing Authority
September 30, 2008

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended September 30, 2008.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended September 30, 2008.

4. SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Depository Agreements	Yes	Finding was fully corrected.
2007-002	Internal Control / SAS70	Yes	Finding was fully corrected. Board of Commissioners implemented policies and procedures.



Mary Taylor, CPA
Auditor of State

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
MAY 6, 2010**