AUDITED BASIC FINANCIAL STATEMENTS

OF THE

LONDON METROPOLITAN HOUSING AUTHORITY

MADISON COUNTY

OCTOBER 1, 2011 – SEPTEMBER 30, 2012

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

We have reviewed the *Independent Auditors' Report* of the London Metropolitan Housing Authority, Madison County, prepared by Wilson, Shannon & Snow, Inc., for the audit period October 1, 2011 through September 30, 2012. 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.

Dave Yost
Auditor of State

April 18, 2013

This page intentionally left blank.

LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the London Metropolitan Housing Authority, Madison County, Ohio (the Authority) as of and for the fiscal year ended September 30, 2012, as listed in the table of contents. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 respective financial position of the London Metropolitan Housing Authority, Madison County, as of September 30, 2012, and the changes in financial position and its cash flows for the fiscal 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 25, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not a part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United states of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or to provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The Supplemental Financial Data Schedules is required by the U.S. Department of Housing and Urban Development, is not a required part of the basic financial statements. The Supplemental Financial Data Schedules are management's responsibility, and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 25, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
(UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The London Metropolitan Housing Authority, Madison County, (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, 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 (beginning on page 11).

FINANCIAL HIGHLIGHTS

- During fiscal year 2012, the Authority's net assets increased by $10,690. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets for fiscal year 2011 were $2,167,326 and net assets for fiscal year 2012 were $2,178,016.

- Revenues decreased by $48,937 during fiscal year 2012, and were $735,597 and $686,660 for 2011 and 2012, respectively. The decrease was due to the less capital fund activities for the year and less income earned from tenant rent.

- Expenses of the Authority increased by $45,098 during fiscal year 2012. Total expenses were $630,872 and $675,970 for fiscal year 2011 and fiscal year 2012, respectively.

USING THIS ANNUAL REPORT

The Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information":

MD&A

~ Management's Discussion
And Analysis –pgs 3-10 ~

Basic Financial Statements

~ Basic Financial Statements – pgs 11-13 ~
~ Notes to the Basic Financial Statements – pg 14~

Other Required Supplementary Information

~ Required Supplementary Information - none~

The primary focus of the Authority's financial statements is on the Authority as a whole. The Authority operates as a single enterprise fund and this presentation allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Government-Wide Financial Statements

The Government-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", formally know 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 (formally 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, net of accumulated depreciation, 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", or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as tenant rent revenue, grant revenue, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue, such as capital grant revenue and investment revenue.

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

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

The Authority's Fund

The Authority consists of exclusively an Enterprise Fund. The Enterprise fund utilizes the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized in the private sector.

The fund maintained by the Authority is required by the Department of Housing and Urban Development (HUD).

Business-Type Activities:

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 Authority 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 Capital Grant Program was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

Business Activity (BA) – The Business Activity account was set-up to separate the HUD funded programs with non-HUD activities. This program is used to account for the financial activities for the construction and operation of a 4 unit apartment building know as South Oak Place.

Neighborhood Stabilization Program (NSP) - This program is used to report the Neighborhood Stabilization Program (NSP) grant funds used for the acquisition and demolition of 2 parcels of land. The Authority applied for a Housing Development Assistance Program grant from Ohio Housing Finance Agency to construct a four unit apartment building. This building constructed on the property received from the Commissioners of Madison County NSP Funds.

Statement of Net Assets

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

STATEMENT OF NET ASSETS

	2012	2011
Current and Other Noncurrent Assets	$ 452,720	$ 383,061
Capital Assets	2,419,831	1,838,132
Total Assets	2,872,551	2,221,193
Current Liabilities	140,900	53,867
Non-Current Liabilities	553,635	-
Total Liabilities	694,535	53,867
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,866,196	1,838,132
Unrestricted	311,820	329,194
Total Net Assets	$ 2,178,016	$ 2,167,326

For more detailed information see page 11 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

During 2012 current and other noncurrent assets increased by $69,659 and total liabilities increased by $640,668. Receivables increased by $158,524 at fiscal year-end 2012 which contributed to the increase in current and other noncurrent assets. The receivables amount for fiscal year 2012 includes receivables from the Ohio Housing Finance Agency (OHFA) of $106,271 and $9,891 from Fayette County for the construction cost of the South Oak Place and $50,148 receivable from HUD for the Capital Fund Program. In addition, during the fiscal year the Authority had a decrease of $89,915 form cash due to result of current fiscal year activities.

The increase in total liability of $640,668 was due to the financing from OHFA for the construction of South Oak Place of $553,635 and payables to contractors of $87,033.

Capital assets increased $581,699 during fiscal year 2012. The increase is attributed to the net of current fiscal year depreciation against current fiscal year additions. For more detail see "Capital Assets and Debt Administration" on page 9.

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets October 1, 2011		$329,194
Results of Operations	$ 10,690	
Adjustments		
Depreciation (1)	158,831	
Capital Expenditures	(740,530)	
Loan Proceeds	553,635	
Adjusted Results from Operations		(17,374)
Unrestricted Net Assets September 30, 2012		$311,820

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

STATEMENT OF REVENUES, EXPENSES AND CHANGES 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.

	2012	2011
Revenues		
Tenant Revenue	$ 195,340	$ 216,798
Government Operating Grants	354,418	343,897
Capital Grants	122,292	168,809
Interest	27	85
Gain on Sale of Capital Assets	1,300	-
Other Revenues	13,283	6,008
Total Revenue	686,660	735,597
Expenses		
Administrative	198,498	156,721
Tenant Services	749	411
Utilities	94,724	114,564
Maintenance	191,441	162,044
Protective Services	300	4,900
General	31,427	36,086
Depreciation	158,831	156,116
Total Expenses	675,970	630,872
Change in Net Assets	10,690	104,725
Net Assets at October 1	2,167,326	2,062,601
Net Assets at September 30	$2,178,016	$ 2,167,326

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

HUD Operating Grants increased by $10,521 and Capital Grant Funds decreased by $46,517 during the fiscal year 2012. The decreases were due to less capital fund available to do capital improvement activities for the fiscal year.

Tenant revenue decreased by $21,458. The decrease was primarily due to family income decreasing as a reflection of current economic conditions.

Expenditure increased during by $45,098 during fiscal year 2012. The increase was due to increase in administrative expenses of $41,777, maintenance expense of $29,397 and a decrease of utility costs of $19,840. The increase in administrative expenses was due to soft costs incurred with the construction of South Oak Place.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2012, the Authority had $2,419,831 invested in capital assets as reflected in the following schedule, which represents which represents a net increase (current fiscal year acquisitions less depreciation) of $581,699 from the end of last fiscal year.

CAPITAL ASSETS AT FISCAL YEAR-END (NET OF DEPRECIATION)

	Business-type Activities	
	2012	2011
Capital Assets, Cost	$ 6,041,324	$ 5,308,920
Accumulated Depreciation	(3,621,493)	(3,470,788)
Total	$ 2,419,831	$ 1,838,132

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 20 of the notes.

CHANGE IN CAPITAL ASSETS

Beginning Balance, October 1, 2011	$ 1,838,132
Additions	740,530
Less: Depreciation Expense	(158,831)
Ending Balance, September 30, 2012	$ 2,419,831

Current year purchases are summarized as follows:	
- Construction in Progress - Window Replacements	$ 122,292
- Air Condition Unit Replacements	11,880
- Truck with Snowplow	27,254
- Construction in Progress – South Oak Place building	579,104
Total Current Additions	$ 740,530

There were disposals of depreciable assets totaling $8,126 during fiscal year 2012, however these assets were fully depreciated.

Debt Outstanding

In fiscal year 2012, the Authority received a loan from Ohio Housing Finance Agency (OHFA) of $553,635 for the construction of a four unit apartment building referred to as South Oak Place. The debt becomes due upon specific events as detailed in the agreement. More information over Debt can be found in Note 7 in the Notes to the Financial Statements.

	2012
Beginning Balance, October 1	$ -
Loan from Ohio Housing Finance Agency	553,635
Current year debt retired	-
Ending Balance, September 30	$ 553,635

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, recession and employment trends, which can affect resident incomes and therefore the demand for housing assistance.
- 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 Authority finished the fiscal year averaging an occupancy rate of 98%. With the construction of the South Oak Place, the Authority will be able to provide additional housing for low-income residents within the community.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Sal Consiglio, Property 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
MADISON COUNTY
STATEMENT OF NET ASSETS
SEPTEMPBER 30, 2012

ASSETS	
Current assets	
Cash and cash equivalents	$ 270,321
Receivables, net	168,391
Prepaids items	3,900
Total current assets	**442,612**
Noncurrent assets	
Restricted cash and cash equivalents	10,108
Capital assets:	
Land	408,948
Building, improvements, furniture, equipment, and vehicles	4,930,980
Construction in process	701,396
Less accumulated depreciation	(3,621,493)
Total capital assets	***2,419,831***
Total noncurrent assets	**2,429,939**
Total Assets	**2,872,551**
LIABILITIES	
Current liabilities	
Accounts payable	108,397
Accrued wages and benefits	6,014
Accrued compensated absences	5,457
Intergovernmental payables	9,314
Tenant security deposits	10,108
Unearned revenue	1,610
Total current liabilities	**140,900**
Noncurrent liabilities	
Loan liability - noncurrent	553,635
Total noncurrent liabilities	***553,635***
Total Liabilities	**694,535**
NET ASSETS	
Invested in capital assets, net of related debt	1,866,196
Unrestricted net assets	311,820
Total Net Assets	**$ 2,178,016**

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

LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

OPERATING REVENUES		
Tenant revenue	$	195,340
Government operating grants		354,418
Other revenue		13,283
Total Operating Revenues		**563,041**
OPERATING EXPENSES		
Administrative		198,498
Tenant services		749
Utilities		94,724
Maintenance		191,441
Protective services		300
General and insurance		31,427
Depreciation		158,831
Total Operating Expenses		**675,970**
Operating Loss		**(112,929)**
NONOPERATING REVENUES		
Investment revenue		27
Gain on sale of capital assets		1,300
Capital grants		122,292
Total Nonoperating Revenues		**123,619**
Change in Net Assets		10,690
Net Assets at October 1, 2011		2,167,326
Net Assets at September 30, 2012	**$**	**2,178,016**

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

LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Operating grants received	$	344,527
Tenant revenue received		196,727
Other revenue received		15,153
General and administrative expenses paid		(431,560)
Net cash provided by operating activities		**124,847**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned		27
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES		
Capital grant received		77,077
Proceeds from sale of capital assets		1,300
Proceeds from loans		447,364
Purchase of capital assets		(740,530)
Net cash used by capital and related activities		**(214,789)**
Net decrease in cash		(89,915)
Cash and cash equivalents at October 1, 2011		370,344
Cash and cash equivalents at September 30, 2012	**$**	**280,429**
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$	(112,929)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation		158,831
(Increases) decreases in:		
Accounts receivable		(7,038)
Prepaids items		(1,050)
Increases (decreases) in:		
Accrued liabilities		89,153
Accounts and intergovermental payables		(693)
Tenant security deposits		(1,532)
Unearned revenue		105
Net cash provided by operating activities	**$**	**124,847**

<u>Schedule of Noncash Capital and Related Activities:</u>
At September 30, 2012, the Authority had an outstanding receivable for $106,271 from OHFA for work already completed.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the London Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Organizations are Component Units,* in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Excluded Entity

The following entity is excluded from the Reporting Entity; however, the entity does conduct activities for the benefit of the Authority.

Madison Housing Development Corporation (MHDC) - This organization was formed as an instrumentality of the Authority to assist in the development and financing of housing projects. MHDC is legally separate from the Authority however, the Board of the organization is consists of the Board members of the Authority.

The Madison Housing Development Corporation was created in June of 2010 and received its 501(c)(3) status letter on August 21, 2011.

The responsibility of the Authority was to make application to the State of Ohio to establish the organization and to obtain section 501(c)(3) non-profit exemption status.

For fiscal year-end 2012, Madison Housing Development Corporation has no assets, liabilities, revenues, or expenditures, therefore, it has been excluded from reporting.

Fund Accounting

The Authority uses a proprietary fund to report on its financial position and the results of its operations for the Section 8 Housing Choice Voucher and other programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Proprietary Fund Types:

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

Enterprise Fund – The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Description of programs

The following are the various programs which are included in the single enterprise fund:

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

B. Capital Fund Program
The Capital Fund Program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. Business Activities
The Business Activities account is utilized to account for capital, operational, and other management activities outside of the federal grant programs.

D. Neighborhood Stabilization Program
The Neighborhood Stabilization Program (NSP) grant funds were used for the acquisition and demolition of 2 parcels of land. A four unit apartment building was constructed on the property received from the Commissioners of Madison County NSP funds.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over the estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The capitalization threshold used by the Authority is $1,000. The following are the useful lives used for depreciation purposes:

Description	Estimated Useful Lives - Years
Building & Improvements	15 - 40
Leasehold Improvements	5 - 15
Furniture, Equipment & Vehicles	5 - 7

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Cash and Cash Equivalents

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

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 the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

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 compensation are attributable to services already rendered and are 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 current liability.

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

Capital Grants

This represents capital grants made available by HUD with respect to all federally aided projects under an annual contribution contract.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislature adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments. When an expense is incurred for purposes which both restricted and unrestricted net assets are available, the Authority first applies restricted net assets. The Authority did not have net assets restricted by enabling legislature at September 30, 2012.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prepaid Items

Payments made to vendors for services that will benefit beyond fiscal year-end are recorded as prepaid items. Payments are accounted for using the consumption method.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Tenant Security Deposits of $10,108.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide the goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

Accounts Receivable

Management considers all accounts receivable (with the exception of tenants accounts receivable) to be collected in full.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria has been satisfied.

Grants associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as a receivable or revenue, or unearned revenue of the current fiscal year.

2. CASH AND CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

2. CASH AND CASH EQUIVALENTS – (CONTINUED)

All monies are deposited into banks as determined by the Authority. Funds are deposited in either interest bearing or non-interest bearing accounts at the Authority's discretion. Security shall be furnished for all accounts in the Authority's name.

Cash and cash equivalents included in the Authority's cash position at September 30, 2012 are as follows:

Demand deposits:			
Bank balance - Checking	$290,962	Bank balance - Savings	$85,148
Items-in-transit	(95,906)	Items-in-transit	-
Carrying balance	$195,056	Carrying balance	$85,148

Of the fiscal year-end bank balance, $335,148 of deposits of the total checking and saving account balances were covered by federal deposit insurance and the remaining balance of $40,962 was covered by pledged and pooled securities held by third-party trustees maintaining collateral for all public funds on deposit. $225 was maintained in petty cash funds.

Based on the Authority having only demand deposits at September 30, 2012, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

3. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the State Housing Authorities Risk Pool (SHARP), a public entity risk plan that operates as a common risk management and insurance program for housing authorities. The Authority pays insurance premiums directly to SHARP. The Authority also participates in Wayne County's health insurance program through a commercial insurance carrier. Premiums are paid monthly. The Authority also pays unemployment claims to the State of Ohio as incurred.

The Authority continues to carry commercial insurance for other risks of loss. There has been no significant reduction in insurance coverage from coverage in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

4. CAPITAL ASSETS

The following is a summary of capital assets at September 30, 2012:

	Balance October 1, 2011	Additions	Deletions	Balance September 30, 2012
Business-Type Activities - Cost				
Non-Depreciable Assets:				
Land	$ 408,948	$ -	$ -	$ 408,948
Construction in Progress	-	701,396	-	701,396
Total Non-Depreciable Assets	408,948	701,396	-	1,110,344
Depreciable Assets:				
Buildings and Improvements	3,310,538	-	-	3,310,538
Furniture, Equipment, and Vehicles	271,802	39,134	(8,126)	302,810
Leasehold Improvements	1,317,632	-	-	1,317,632
Total Depreciable Assets	4,899,972	39,134	(8,126)	4,930,980
Less: accumulated depreciation				
Buildings and Improvements	(3,001,239)	(60,775)	-	(3,062,014)
Furniture, Equipment, and Vehicles	(218,580)	(18,114)	8,126	(228,568)
Leasehold Improvements	(250,969)	(79,942)	-	(330,911)
Total accumulated depreciation	(3,470,788)	(158,831)	8,126	(3,621,493)
Total Depreciable Assets, Net	1,429,184	(119,697)	-	1,309,487
Total Capital Assets, Net	$ 1,838,132	$ 581,699	$ -	$ 2,419,831

5. DEFINED BENEFIT PENSION PLANS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – All employees of the Authority are eligible to participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan – a cost sharing, multiple-employer defined pension plan.
2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

5. DEFINED BENEFIT PENSION PLANS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-retirement health care coverage. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222- 7377.

Funding Policy – The Authority and covered employees contribute at actuarially determined rates for both 2012 and 2011, 14% and 10%, respectively, of covered employee payroll to OPERS. The Authority's contributions to OPERS for the years ended September 30, 2012, 2011, and 2010 were $15,973, $16,680, and $13,505, respectively which were equal to the required contributions for each year. Ninety-two percent has been contributed for 2012. All required contributions for the two previous years have been paid.

Other Post Retirement Benefits – In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Retirement Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contribution allocated to the health care plan was 4.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended September 30, 2012, 2011, and 2010, which were used to fund post-employment benefits, were $6,275, $4,766, and $5,305, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

.

6. COMPENSATED ABSENCES

Employees earn annual vacation and sick leave per anniversary year, based on years of service. Annual vacation leave may be carried forward to the next fiscal year and paid upon termination or retirement. Prior to fiscal year end 2011, sick leave may be accumulated and is paid out based on Board policy upon termination or retirement; based on a policy revision in fiscal year 2011, employees are no longer paid out accumulated sick leave upon retirement. The entire liability is considered to be due in one year. As of September 30, 2012, the accrual for compensated absences totaled $5,457 and has been included in the accompanying Statement of Net Assets.

7. LONG-TERM DEBT

The following is a summary of changes in long-term debt and compensated absence for the fiscal year ended September 30, 2012:

Description	Balance 10/01/11	Additions	Deletions	Balance 09/30/12	Due Within One Year
Promissory Note - OHFA	$ -	$553,635	$ 0	$553,635	$ 0
Total Promissory Notes	-	553,635	0	553,635	0
Compensated Absence Payable	4,309	3,217	(2,069)	5,457	5,457
Total	**$ 4,309**	**$556,852**	**$(2,069)**	**$559,092**	**$ 5,457**

On February 2, 2011, the Authority entered into a promissory note with the Ohio Housing Finance Agency (OHFA) in the amount of $580,000 to build 4-unit apartment building (known as South Oak Place). During the current fiscal year the Authority drew down $553,635 on the note. As of September 30, 2012, the project is about 90% complete. The note accrues interest at a rate of two percent per annum. The note shall become due upon specific events as detailed in the agreement, of which, as of September 30, 2012, none of these events have occurred or are anticipated to occur. Therefore, no amortization schedules are provided.

8. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Authority at September 30, 2012.

B. Litigation

The Authority is unaware of any outstanding lawsuits or other contingencies.

LONDON METROPOLITAN HOUSING AUTHORITY

MADISON COUNTY

STATEMENT OF NET ASSETS - FDS SCHEDULE SUBMITTED TO HUD

SEPTEMBER 30, 2012

	Project Total	1 Business Activities	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	Subtotal	ELIM	Total
111 Cash - Unrestricted	$270,321	$0	$0	$270,321	$0	$270,321
114 Cash - Tenant Security Deposits	$10,108	$0	$0	$10,108	$0	$10,108
100 Total Cash	$280,429	$0	$0	$280,429	$0	$280,429
122 Accounts Receivable - HUD Other Projects	$50,148	$0	$0	$50,148	$0	$50,148
124 Accounts Receivable - Other Government	$0	$106,271	$9,891	$116,162	$0	$116,162
125 Accounts Receivable - Miscellaneous	$373	$0	$0	$373	$0	$373
126 Accounts Receivable - Tenants	$3,234	$0	$0	$3,234	$0	$3,234
126.1 Allowance for Doubtful Accounts -Tenants	($1,526)	$0	$0	($1,526)	$0	($1,526)
120 Total Receivables, Net of Allowances for Doubtful Accounts	$52,229	$106,271	$9,891	$168,391	$0	$168,391
142 Prepaid Expenses and Other Assets	$3,900	$0	$0	$3,900	$0	$3,900
144 Inter Program Due From	$50,151	$0	$0	$50,151	($50,151)	$0
150 Total Current Assets	$386,709	$106,271	$9,891	$502,871	($50,151)	$452,720
161 Land	$340,739	$68,209	$0	$408,948	$0	$408,948
162 Buildings	$3,310,538	$0	$0	$3,310,538	$0	$3,310,538
163 Furniture, Equipment & Machinery - Dwellings	$129,315	$0	$0	$129,315	$0	$129,315
164 Furniture, Equipment & Machinery - Administration	$173,495	$0	$0	$173,495	$0	$173,495
165 Leasehold Improvements	$1,317,632	$0	$0	$1,317,632	$0	$1,317,632
166 Accumulated Depreciation	($3,621,493)	$0	$0	($3,621,493)	$0	($3,621,493)
167 Construction in Progress	$122,292	$579,104	$0	$701,396	$0	$701,396
160 Total Capital Assets, Net of Accumulated Depreciation	$1,772,518	$647,313	$0	$2,419,831	$0	$2,419,831
190 Total Assets	$2,159,227	$753,584	$9,891	$2,922,702	($50,151)	$2,872,551
312 Accounts Payable <= 90 Days	$59,821	$48,576	$0	$108,397	$0	$108,397
321 Accrued Wage/Payroll Taxes Payable	$6,014	$0	$0	$6,014	$0	$6,014
322 Accrued Compensated Absences - Current Portion	$5,457	$0	$0	$5,457	$0	$5,457

333 Accounts Payable - Other Government	$9,314	$0	$0	$9,314	$0	$9,314
341 Tenant Security Deposits	$10,108	$0	$0	$10,108	$0	$10,108
342 Deferred Revenues	$1,610	$0	$0	$1,610	$0	$1,610
347 Inter Program - Due To	$0	$40,260	$9,891	$50,151	($50,151)	$0
348 Loan Liability - Current	$0	$0	$0	$0	$0	$0
310 Total Current Liabilities	$92,324	$88,836	$9,891	$191,051	($50,151)	$140,900
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$0	$553,635	$0	$553,635	$0	$553,635
350 Total Non-Current Liabilities	$0	$553,635	$0	$553,635	$0	$553,635
300 Total Liabilities	$92,324	$642,471	$9,891	$744,686	($50,151)	$694,535
508.1 Invested In Capital Assets, Net of Related Debt	$1,772,518	$93,678	$0	$1,866,196	$0	$1,866,196
511.1 Restricted Net Assets	$0	$0	$0	$0	$0	$0
512.1 Unrestricted Net Assets	$294,385	$17,435	$0	$311,820	$0	$311,820
513 Total Equity/Net Assets	$2,066,903	$111,113	$0	$2,178,016	$0	$2,178,016
600 Total Liabilities and Equity/Net Assets	$2,159,227	$753,584	$9,891	$2,922,702	($50,151)	$2,872,551

LONDON METROPOLITAN HOUSING AUTHORITY

MADISON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - FDS SCHEDULE SUBMITTED TO HUD

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Project Total	1 Business Activities	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$195,340	$0	$0	$195,340	$0	$195,340
70400 Tenant Revenue - Other	$0	$0	$0	$0	$0	$0
70500 Total Tenant Revenue	$195,340	$0	$0	$195,340	$0	$195,340
70600 HUD PHA Operating Grants	$284,418	$0	$0	$284,418	$0	$284,418
70610 Capital Grants	$122,292	$0	$0	$122,292	$0	$122,292
70800 Other Government Grants	$0	$0	$70,000	$70,000	$0	$70,000
71100 Investment Income - Unrestricted	$27	$0	$0	$27	$0	$27
71500 Other Revenue	$13,123	$160	$0	$13,283	$0	$13,283
71600 Gain or Loss on Sale of Capital Assets	$1,300	$0	$0	$1,300	$0	$1,300
72000 Investment Income - Restricted	$0	$0	$0	$0	$0	$0
70000 Total Revenue	$616,500	$160	$70,000	$686,660	$0	$686,660
91100 Administrative Salaries	$43,557	$0	$0	$43,557	$0	$43,557
91200 Auditing Fees	$5,997	$0	$0	$5,997	$0	$5,997
91300 Management Fee	$53,714	$6,286	$0	$60,000	$0	$60,000
91310 Book-keeping Fee	$7,800	$0	$0	$7,800	$0	$7,800
91400 Advertising and Marketing	$0	$0	$0	$0	$0	$0
91500 Employee Benefit contributions - Administrative	$27,739	$0	$0	$27,739	$0	$27,739
91600 Office Expenses	$6,840	$45	$0	$6,885	$0	$6,885
91700 Legal Expense	$3,997	$0	$0	$3,997	$0	$3,997
91800 Travel	$0	$0	$0	$0	$0	$0
91810 Allocated Overhead	$0	$0	$0	$0	$0	$0
91900 Other	$21,737	$20,786	$0	$42,523	$0	$42,523
91000 Total Operating - Administrative	$171,381	$27,117	$0	$198,498	$0	$198,498
92400 Tenant Services - Other	$749	$0	$0	$749	$0	$749
92500 Total Tenant Services	$749	$0	$0	$749	$0	$749
93100 Water	$18,204	$69	$0	$18,273	$0	$18,273
93200 Electricity	$12,875	$0	$0	$12,875	$0	$12,875
93300 Gas	$43,943	$0	$0	$43,943	$0	$43,943
93600 Sewer	$19,563	$70	$0	$19,633	$0	$19,633
93700 Employee Benefit Contributions - Utilities	$0	$0	$0	$0	$0	$0

93800 Other Utilities Expense	$0	$0	$0	$0	$0	$0
93000 Total Utilities	$94,585	$139	$0	$94,724	$0	$94,724
94100 Ordinary Maintenance and Operations - Labor	$66,589	$0	$0	$66,589	$0	$66,589
94200 Ordinary Maintenance and Operations - Materials and Other	$19,510	$0	$0	$19,510	$0	$19,510
94300 Ordinary Maintenance and Operations Contracts	$87,985	$0	$0	$87,985	$0	$87,985
94500 Employee Benefit Contributions - Ordinary Maintenance	$17,357	$0	$0	$17,357	$0	$17,357
94000 Total Maintenance	$191,441	$0	$0	$191,441	$0	$191,441
95100 Protective Services - Labor	$0	$0	$0	$0	$0	$0
95200 Protective Services - Other Contract Costs	$300	$0	$0	$300	$0	$300
95000 Total Protective Services	$300	$0	$0	$300	$0	$300
96110 Property Insurance	$18,480	$0	$0	$18,480	$0	$18,480
96130 Workmen's Compensation	$1,490	$0	$0	$1,490	$0	$1,490
96100 Total insurance Premiums	$19,970	$0	$0	$19,970	$0	$19,970
96200 Other General Expenses	$0	$0	$0	$0	$0	$0
96210 Compensated Absences	$1,148	$0	$0	$1,148	$0	$1,148
96300 Payments in Lieu of Taxes	$9,314	$0	$0	$9,314	$0	$9,314
96400 Bad debt - Tenant Rents	$995	$0	$0	$995	$0	$995
96000 Total Other General Expenses	$11,457	$0	$0	$11,457	$0	$11,457
96900 Total Operating Expenses	$489,883	$27,256	$0	$517,139	$0	$517,139
97000 Excess of Operating Revenue over Operating Expenses	$126,617	($27,096)	$70,000	$169,521	$0	$169,521
97400 Depreciation Expense	$158,831	$0	$0	$158,831	$0	$158,831
90000 Total Expenses	$648,714	$27,256	$0	$675,970	$0	$675,970
10010 Operating Transfer In	$27,571	$0	$0	$27,571	($27,571)	$0
10020 Operating transfer Out	($27,571)	$0	$0	($27,571)	$27,571	$0
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	($32,214)	($27,096)	$70,000	$10,690	$0	$10,690
11020 Required Annual Debt Principal Payments	$0	$0	$0	$0	$0	$0
11030 Beginning Equity	$2,099,117	$68,209	$0	$2,167,326	$0	$2,167,326
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$0	$70,000	($70,000)	$0	$0	$0
11190 Unit Months Available	1,200	0	0	1,200	0	1,200
11210 Number of Unit Months Leased	1,176	0	0	1,176	0	1,176
11270 Excess Cash	$260,370	$0	$0	$260,370	$0	$260,370
11650 Leasehold Improvements Purchases	$122,292	$0	$0	$122,292	$0	$122,292

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the London Metropolitan Housing Authority, Madison County, (the Authority) as of and for the fiscal year ended September 30, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 25, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Wilson, Shannon & Snow, Inc.
CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 25, 2013

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 9, 2013