

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO**

SEPTEMBER 30, 2001

GENERAL PURPOSE FINANCIAL STATEMENTS



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398

The Board of Commissioners
London Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of London Metropolitan Housing Authority, Madison County, prepared by Vanderhorst & Manning CPAs, LLC, for the audit period October 1, 2000 to September 30, 2001. 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.

JIM PETRO
Auditor of State

April 8, 2002

This Page is Intentionally Left Blank.

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
SEPTEMBER 30, 2001

TABLE OF CONTENTS

Independent Auditors' Report	1
General Purpose Financial Statements:	
Combined Balance Sheet – Proprietary Fund Type	3
Combined Statement of Revenue, Expense, and Changes in Retained Earnings – Proprietary Fund Type	4
Statement of Cash Flows – Proprietary Fund Type	5
Notes to General Purpose Financial Statements	6-12
Supplemental Data:	
Combining Balance Sheet – (FDS schedule format)	13
Combining Statements of Revenues, Expenses and Changes in Retained Earnings – (FDS schedule format)	14
Schedule of Federal Awards Expenditures	15
Schedule of Revenue and Expense by Program	16
Schedule of Modernization Cost	17
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	18 – 19
Activities of Authority	21
Adjusting Journal Entries	22

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

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
London Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying balance sheet of the London Metropolitan Housing Authority (Authority) as of September 30, 2001, and the related statements of revenues, expenses and equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the London Metropolitan Housing Authority as of September 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 14, 2002 on our consideration of the London Metropolitan Housing Authority's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the London Metropolitan Housing Authority taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis, and are not a required part of the financial statements of the London Metropolitan Housing Authority. The accompanying schedule of expenditures of federal awards is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The combining financial data (FDS) schedule is presented for purposes of additional analysis as required by the Department of Housing and Urban Development. These schedules are the responsibility of the management of London Metropolitan Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio
March 14, 2002

THIS PAGE INTENTIONALLY LEFT BLANK

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
BALANCE SHEET
SEPTEMBER 30, 2001**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	73,460
Investment		20,000
Tenant Receivables - Net of \$493 Allowance		
For Doubtful Accounts		4,981
Other Receivables		207
Prepaid Expenses		7,467
TOTAL CURRENT ASSETS	\$	<u>106,115</u>
Property and Equipment - Net of \$1,954,728		
Accumulated Depreciation		<u>1,714,780</u>
	\$	<u><u>1,820,895</u></u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accounts Payable	\$	9,550
Tenant Security Deposits		8,171
Accrued Wages and Payroll Taxes		9,877
Other Current Liabilities		36,667
TOTAL CURRENT LIABILITIES	\$	<u>64,265</u>

EQUITY

Contributed Capital	\$	4,034,311
Retained Earnings		<u>(2,277,681)</u>
TOTAL EQUITY	\$	<u>1,756,630</u>
TOTAL LIABILITIES AND EQUITY	\$	<u><u>1,820,895</u></u>

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
STATEMENT OF REVENUE, EXPENSE, AND EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2001**

<u>REVENUE</u>	
HUD Grants	\$ 99,843
Rental Income	251,712
Interest Income	2,040
Other Income	<u>5,524</u>
TOTAL REVENUE	\$ <u>359,119</u>
<u>EXPENSES (Before Depreciation)</u>	
Administrative Salaries	\$ 64,905
Employee Benefits	50,019
Auditing Fees	3,258
Sundry Administration	43,480
Utilities	65,482
Material & Labor	75,636
General	37,876
Residential Tenant Services	<u>200</u>
TOTAL EXPENSES (Before Depreciation)	\$ <u>340,856</u>
INCOME (LOSS) BEFORE DEPRECIATION	\$ 18,263
Depreciation	<u>147,402</u>
NET LOSS	\$ (129,139)
Retained Earnings - Beginning of Year	<u>(2,148,542)</u>
Retained Earnings - End of Year	\$ <u>(2,277,681)</u>
Contributed Capital - Beginning of Year	\$ 3,903,305
Capital Grants Recognized during the year	<u>131,006</u>
Contributed Capital - End of Year	\$ <u>4,034,311</u>
TOTAL EQUITY - END OF YEAR	\$ <u><u>1,756,630</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2001**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Loss	\$ (129,139)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation	147,402
Changes in Operating Assets and Liabilities that Increase (Decrease) Cash Flows:	
Receivables	374
Prepaid Expenses	(409)
Accounts Payable	(2,601)
Accrued Wages and Payroll Taxes	(8,319)
Other Current Liabilities	18,667
Tenant Security Deposits	<u>903</u>
 NET CASH USED IN OPERATING ACTIVITIES	 \$ <u>26,878</u>

CASH FLOWS USED IN INVESTING ACTIVITIES

Purchase of Property and Equipment	\$ <u>(134,167)</u>
------------------------------------	---------------------

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from HUD Capital Contributions	\$ <u>131,006</u>
---	-------------------

NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ 23,717
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>49,743</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 73,460</u></u>

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

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Accounting

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

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

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

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

Cash and Cash Equivalents

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

Tenant Receivables – Recognition of Bad Debts

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

Property and Equipment

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

Depreciation is recorded on the straight-line method.

Long-Term Debt/HUD Contributions

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

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2001

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
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2001

NOTE 2 – CASH AND CASH EQUIVALENTS, Continued

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

Category 1. \$ 93,460 was covered by federal depository insurance.

Book balances were as follows:	Cash	\$ 73,460
	Investment	<u>20,000</u>
	Total	\$ <u>93,460</u>

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.

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2001

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2001, by class is as follows:

Buildings and Building Improvements	\$ 3,166,516
Land and Land Improvements	340,739
Furniture and Fixtures, Equipment and Moving Vehicles	<u>162,253</u>
Total	\$ 3,669,508
Less Accumulated Depreciation	<u>1,954,728</u>
Net Property and Equipment	<u>\$ 1,714,780</u>

NOTE 4 – RETIREMENT AND OTHER BENEFIT PLANS

The employees of the Authority are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer deferred benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees. The total 2001 employer contribution rate was 13.55% of covered payroll. For the period July 1, 2000 through December 31, 2000 the employer's contribution rate was 8.13% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Authority's contributions to P.E.R.S. for the years ended September 30, 2001, 2000, and 1999 were \$12,537, \$14,286, and \$13,791, respectively. All required contributions were made prior to each of those fiscal year ends.

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2001

NOTE 4 – RETIREMENT AND OTHER BENEFIT PLANS, Continued

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2000 employer contribution rate for state employers was 10.84% of covered payroll: 4.3% was the portion that was used to fund health care for the year, under the new calculation methodology.

OPEB is financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

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, 2001, the Authority has accrued vacation and sick leave in the amount of \$9,877.

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.

LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2001

NOTE 7 – 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, 2001.

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, 2001, the Authority was not involved in any such matters.

Utility Allowance

A report of the Inspector General of the U.S. Department of Housing & Urban Development, dated March 22, 2001, had indicated that in view of a failure of the housing Authority to review utility costs over a period of eight years and its impact on rents, tenants may have been overcharged an amount approximating nearly \$196,000 in rent and if efforts were made to reimburse tenants, then no financial assistance should be available from HUD for that purpose. Management however maintains that the value represented as the estimate is substantially overstated by nearly 250%, as supported by a subsequently secured independent study.

Management also contends that because of the impact that rents have on the annually determined HUD operating subsidy, such subsidies would, to the extent that overstated rents each year, be understated for each year that rents may have been overcharged: to the extent therefore that rents during the periods may have been overstated, operating subsidies for each such period would be similarly understated.

It is management's view as well that if as is being suggested, it is directed to undertake an initiative to reimburse only current tenants or otherwise even if expanded to reimburse all tenants, the financial integrity of the Authority is not expected to be adversely impacted, whether or not HUD denied management's intended petition on for supplemental funding of its previously understated operating subsidies; accordingly, no contingent liability is recorded.

LONDON METROPOLITAN HOUSING AUTHORITY
 COMBINING BALANCE SHEET
 FDS SCHEDULE SUBMITTED TO HUD PROPRIETARY FUND TYPE ENTERPRISE FUNDS
 SEPTEMBER 30, 2001

FDS LINE ITEM NO.	Account Description	14.850 Low Rent Public Housing	14.852 CIAP Program	14.854 Drug Free Program	Total
	ASSETS				
111	Cash - unrestricted	\$ 65,559	\$ 0	\$ 0	\$ 65,559
114	Cash - Tenant Security Deposits	7,901			7,901
150	TOTAL CURRENT ASSETS	<u>73,460</u>	<u>0</u>	<u>0</u>	<u>73,460</u>
125	Accounts Receivable - Miscellaneous	126	0	0	126
126	Accounts Receivable - Tenant Dwelling	5,473	0	0	5,473
126-2	Allowance for doubtful accounts	(493)	0	0	(493)
129	Accrued Interest Receivable	82	0	0	82
120	TOTAL RECEIVABLES - NET	<u>5,188</u>	<u>0</u>	<u>0</u>	<u>5,188</u>
131	Investments - Unrestricted	20,000	0	0	20,000
142	Prepaid Expenses	7,467	0	0	7,467
150	TOTAL CURRENT ASSETS	<u>106,115</u>	<u>0</u>	<u>0</u>	<u>106,115</u>
161	Land	340,739	0	0	340,739
162	Buildings	2,990,845	175,671	0	3,166,516
163	Furniture, Equipment & Mach. Dwelling	96,553	0	0	96,553
164	Furniture and equipment - Admin.	52,592	13,108	0	65,700
166	Accumulated depreciation	(1,954,728)	0	0	(1,954,728)
180	TOTAL NON-CURRENT ASSETS	<u>1,526,001</u>	<u>188,779</u>	<u>0</u>	<u>1,714,780</u>
					0
190	TOTAL ASSETS	<u>\$ 1,632,116</u>	<u>\$ 188,779</u>	<u>\$ 0</u>	<u>\$ 1,820,895</u>
	LIABILITIES AND RETAINED EARNINGS				
312	Accounts payable <=90 days	\$ 9,550	\$ 0	\$ 0	\$ 9,550
322	Accrued Compensated Absences	9,877	0	0	9,877
333	Accounts Payable - Other Government	36,667	0	0	36,667
341	Tenant Security Deposit	8,171	0	0	8,171
310	TOTAL CURRENT LIABILITIES	<u>64,265</u>	<u>0</u>	<u>0</u>	<u>64,265</u>
300	TOTAL LIABILITIES	<u>64,265</u>	<u>0</u>	<u>0</u>	<u>64,265</u>
502	Project Notes	42,953	0	0	42,953
503	Long-term Debt - HUD guaranteed	354,271	0	0	354,271
504	Net HUD PHA Contributions	1,538,329	188,779	0	1,727,108
508	TOTAL CONTRIBUTED CAPITAL	<u>1,935,553</u>	<u>188,779</u>	<u>0</u>	<u>2,124,332</u>
512	Undesignated Fund Bal./Retained Earnings	(367,702)	0	0	(367,702)
513	TOTAL EQUITY/NET ASSETS	<u>1,567,851</u>	<u>188,779</u>	<u>0</u>	<u>1,756,630</u>
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	<u>\$ 1,632,116</u>	<u>\$ 188,779</u>	<u>\$ 0</u>	<u>\$ 1,820,895</u>

LONDON METROPOLITAN HOUSING AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 FDS SCHEDULE SUBMITTED TO HUD PROPRIETARY FUND TYPE ENTERPRISE FUND
 SEPTEMBER 30, 2001

FDS LINE ITEM NO.	Account Description	14.850 Low Rent Public Housing	14.854 Drug Free Program	Total	Capital Grants
REVENUE					
706	HUD PHA grants	\$ 81,807	\$ 0	\$ 81,807	\$ 0
706.1	Capital Grant	0	18,036	18,036	153,955
703	Net Tenant Rental Revenue	251,712	0	251,712	0
711	Investment income	2,040	0	2,040	0
715	Other Revenue	5,524	0	5,524	0
700	TOTAL REVENUE	<u>341,083</u>	<u>18,036</u>	<u>359,119</u>	<u>153,955</u>
EXPENSES					
911	Administrative Salaries	64,905	0	64,905	0
912	Auditing fees	3,258	0	3,258	0
914	Compensated Absences	(8,319)	0	(8,319)	0
915	Employee Benefit Contributions - Adm	35,277	0	35,277	0
916	Other Operating - Admin	25,444	18,036	43,480	4,904
924	Tenant Services	200	0	200	0
931	Water	19,770	0	19,770	0
932	Electricity	9,962	0	9,962	0
933	Gas	35,316	0	35,316	0
938	Other Utility Payments	434	0	434	0
941	Ordinary Maintenance & Op - Labor	42,430	0	42,430	0
942	Ordinary Maintenance & Op - Materials	8,460	0	8,460	0
943	Ordinary Maintenance & Op - Contract	24,746	0	24,746	18,043
945	Employee Benefit Contributions - Ord Mtce	23,061	0	23,061	0
961	Insurance Premium	15,468	0	15,468	0
963	Payments in Lieu of Taxes	18,666	0	18,666	0
964	Bad Debt - Tenant Rents	3,742	0	3,742	0
969	Total Operating Expenses	<u>322,820</u>	<u>18,036</u>	<u>340,856</u>	<u>22,947</u>
970	Total Operating Reserve over Operating Expenses	<u>18,263</u>	<u>0</u>	<u>18,263</u>	<u>131,008</u>
974	Depreciation Expense	<u>147,402</u>	<u>0</u>	<u>147,402</u>	<u>0</u>
900	Total Expenses	<u>470,222</u>	<u>18,036</u>	<u>488,258</u>	<u>22,947</u>
1000	Excess Deficiency of Op. Revenue over (under) Expenses	(129,139)	0	(129,139)	131,008
1103	Beginning retained earnings	1,347,005	5,148	1,352,153	402,608
1104	Prior Period Adjustment	<u>349,985</u>	<u>(5,148)</u>	<u>344,837</u>	<u>(344,837)</u>
	Ending Equity	<u>1,567,851</u>	<u>0</u>	<u>1,567,851</u>	<u>188,779</u>

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2001

	<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	14.850	81,807
Modernization Program:		
CIAP (OH16 PO23-910)	14.852	135,241
CIAP (OH16 PO23-911)	14.852	18,714
Drug Free Grant	14.854	<u>18,036</u>
 TOTAL - ALL PROGRAMS		 <u><u>253,798</u></u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of London Metropolitan Housing Authority and is presented on the accrual basis of accounting as required by generally accepted accounting principles.

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30, 2001**

	Low Rent 14.850	Drug Free Grant 14.854	Total
REVENUE			
HUD Grants	\$ 81,807	\$ 18,036	\$ 99,843
Rental Income	251,712	0	251,712
Interest Income	2,040	0	2,040
Other Income	<u>5,524</u>	<u>0</u>	<u>5,524</u>
TOTAL REVENUE	\$ <u>341,083</u>	<u>18,036</u>	<u>359,119</u>
EXPENSES			
Administrative Salaries	\$ 64,905	\$ 0	\$ 64,905
Employee Benefits	50,019	0	50,019
Auditing Fees	3,258	0	3,258
Sundry Administration	25,444	18,036	43,480
Utilities	65,482	0	65,482
Material & Labor	75,636	0	75,636
General	37,876	0	37,876
Residential Tenant Services	<u>200</u>	<u>0</u>	<u>200</u>
TOTAL EXPENSES	\$ <u>322,820</u>	<u>18,036</u>	<u>340,856</u>
INCOME (LOSS) BEFORE DEPR.	\$ 18,263	\$ 0	\$ 18,263
Depreciation	<u>147,402</u>	<u>0</u>	<u>147,402</u>
INCOME (LOSS)	\$ <u>(129,139)</u>	<u>0</u>	<u>(129,139)</u>

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO
SEPTEMBER 30, 2001**

SCHEDULE OF ACTUAL MODERNIZATION COSTS

The actual modernization costs of the project are as follows:

PROJECT OH16-P023 - 908

Funds Approved	\$ 191,300
Funds Expended	<u>191,300</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>

PROJECT OH16-P023 - 909

Funds Approved	\$ 240,000
Funds Expended	<u>240,000</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>

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

This Page is Intentionally Left Blank.

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

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

Board of Commissioners
London Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the financial statements of the London Metropolitan Housing Authority, London, Ohio, as of and for the year ended September 30, 2001, and have issued our report thereon dated March 7, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Board of Commissioners
London Metropolitan Housing Authority

This report is intended for the information and use of management, the Board of Commissioners, the Department of Housing and Urban Development, and Auditor of the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

March 14, 2002

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2001**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of London Metropolitan Housing Authority.
2. No reportable conditions were disclosed during the audit of the financial statement of London Metropolitan Housing Authority.
3. No instances on noncompliance material to the financial statements of London Metropolitan Housing Authority were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for London Metropolitan Housing Authority expresses an unqualified opinion.
6. No audit findings relative to the major programs for London Metropolitan Housing Authority were disclosed during the audit.
7. The programs tested as major included: PHA Owned Housing; Operating Subsidy and CIAP Modernization.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. London Metropolitan Housing Authority was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO**

SUMMARY OF ACTIVITIES

SEPTEMBER 30, 2001

At the close of fiscal year ended September 30, 2001, the London Metropolitan Housing Authority had the following operations in management:

<u>Public Housing</u>	<u>Units</u>
OH Project	100

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO**

ADJUSTING JOURNAL ENTRIES

SEPTEMBER 30, 2001

None Made.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

LONDON METROPOLITAN HOUSING AUTHORITY

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 18, 2002**