

**LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO**

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2010**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the London Metropolitan Housing Authority, Madison County, prepared by Manning & Associates CPAs, LLC, for the audit period October 1, 2009 through September 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 22, 2011

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LONDON METROPOLITAN HOUSING AUTHORITY
LONDON, OHIO

AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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Manning & Associates Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

INDEPENDENT AUDITORS' REPORT

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

Regional Inspector General of Audit
Department of Housing & Urban Development

We have audited the accompanying basic financial statements of the London Metropolitan Housing Authority, Ohio as of and for the year ended September 30, 2010, which collectively comprises London Metropolitan Housing Authority's, basic financial statements as listed in the table of contents. These financial statements are the responsibility of London Metropolitan Housing Authority's, Ohio management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the London Metropolitan Housing Authority, Ohio as of September 30, 2010, and the respective changes in financial position, where applicable, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2011 on our consideration of the London Metropolitan Housing Authority's, Ohio internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

March 4, 2011

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LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
Unaudited

The London Metropolitan Housing Authority's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- Net assets were \$2,062,061 and \$1,940,312 for fiscal year ended September 30, 2010 and 2009, respectively. The Authority-wide statements reflect an increase of \$121,740 during 2010. This increase is reflective of the year's activities.
- The business-type activity revenue decreased by \$144,830 during 2010, and were \$711,715 and \$856,545 for 2010 and 2009, respectively. The decrease was due to the ARRA Grant being completed.
- The total expenses of all Authority programs decreased by \$23,421. Total expenses were \$589,426 and \$612,847 for 2010 and 2009, respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

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

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
Unaudited

The focus is on both the Authority as a whole (authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

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

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets". This account resembles the old operating reserves account.

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

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
Unaudited

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, non-capital financing activities, and from capital and related financing activities.

Fund Financial Statements

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

Business Type Funds:

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

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

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

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

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
Unaudited

Table 1 - Condensed Statement of Net Assets Compared to Prior Year

	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 332,932	\$ 304,493
Capital Assets	<u>1,793,564</u>	<u>1,753,506</u>
Total Assets	<u>\$ 2,126,496</u>	<u>\$ 2,057,999</u>
Current Liabilities	\$ 53,472	\$ 110,073
Long-Term Liabilities	<u>10,423</u>	<u>7,614</u>
Total Liabilities	<u>63,895</u>	<u>117,687</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	1,793,564	1,753,506
Unrestricted Net Assets	<u>269,037</u>	<u>186,806</u>
Total Net Assets	<u>2,062,601</u>	<u>1,940,312</u>
Total Liabilities and Net Assets	<u>\$ 2,126,496</u>	<u>\$ 2,057,999</u>

For more detail information see Statement of Net Assets presented elsewhere in this report.

Major Factors Affecting the Statement of Net Assets

During 2010 current assets increased by \$68,497 and total liabilities decreased by \$53,792. The increase in the current asset is accounted for in the cash balance and investments that increase by a combined total of \$118,235.

The decrease in total liability of \$53,792 is mainly due to prior year outstanding payable to the roofer Contractor of \$46,878.

Capital assets net change between 2010 and 2009 was \$40,058. This is reflected by the current year capital improvements less depreciation expense. See table 5 for detail of current additions.

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
Unaudited

Table 2 - Changes of Unrestricted Net Assets

Beginning Balance - September 30, 2009	\$ 186,806
Results of Operation	122,289
Adjustments:	
Current year Depreciation Expense (1)	99,340
Net Assets used for Capital Expenditure (2)	(139,398)
Retirement of Debt	<u>-</u>
Ending Balance - September 30, 2010	<u><u>\$ 269,037</u></u>

Table 2a - Changes in Investment in Capital Assets Net of Debt

Beginning Balance - September 30, 2009	\$ 1,753,506
Adjustments:	
Current year Depreciation Expense (1)	(99,340)
Net Assets used for Capital Expenditure (2)	<u>139,398</u>
Ending Balance - September 30, 2010	<u><u>\$ 1,793,564</u></u>

Statement of Revenue, Expenses and Change in Net Assets

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

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
Unaudited

Table 3 - Statement of Revenue, Expenses & Changes in Net Assets

	<u>2010</u>	<u>2009</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 242,495	\$ 219,922
Operating Subsidies	322,970	343,915
Capital Grants	135,991	274,484
Investment Income	760	933
Other Revenues	<u>9,499</u>	<u>17,291</u>
Total Revenues	\$ <u>711,715</u>	\$ <u>856,545</u>
 <u>Expenses</u>		
Administrative	164,239	171,357
Tenant Services	1,895	290
Utilities	109,384	114,227
Maintenance	177,047	180,079
Protective Services	3,303	0
General and Insurance	34,218	43,379
Depreciation	<u>99,340</u>	<u>103,515</u>
Total Expenses	\$ <u>589,426</u>	\$ <u>612,847</u>
Net Increases (Decreases)	\$ <u><u>122,289</u></u>	\$ <u><u>243,698</u></u>

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

HUD Operating Grants decreased by \$20,945 and Capital Grant Funds decreased by \$138,493 during the fiscal year. These decreases were due to prior year ARRA Grant Funds earned. This grant was closed out in this year with the majority of the revenue earned last year.

Tenant revenue increased by \$22,573. The increase was primarily due to additional staff effort in screening and verifying family's income.

Expenditure decrease during the year by \$23,421. The decrease was across the board and it reflected staff effort in reducing expenses.

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	<u>2010</u>	<u>2009</u>
Land and Land Rights	\$ 408,948	\$ 340,739
Buildings	3,310,538	3,310,538
Equipment	271,802	247,324
Leasehold Improvements	1,112,948	936,077
Construction in Progress	4,000	145,360
Accumulated Depreciation	(3,314,672)	(3,226,532)
Total	<u>\$ 1,793,564</u>	<u>\$ 1,753,506</u>

Table 5 - Changes in Capital Assets

Beginning Balance - September 30, 2009	\$ 1,753,506
Current year Additions	139,398
Current year Depreciation Expense	(99,340)
Ending Balance - September 30, 2010	<u>\$ 1,793,564</u>

Current year additions are summarized as follows:

- S Oak Property	68,209
- Maintenance Truck	24,478
- Capital Improvement	<u>46,711</u>
Total Current Year Additions	<u>\$ 139,398</u>

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
Unaudited

Debt Outstanding

As of year-end, the Authority had no debt outstanding.

Table 6 - Condensed Statement of Changes in Debt Outstanding

Beginning Balance - September 30, 2009	\$	-
Current Year Principal Payments		<u>-</u>
Ending Balance - September 30, 2010	\$	<u><u>-</u></u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

IN CONCLUSION

London Metropolitan Housing Authority takes great pride in its financial management and is pleased to report that once again the Authority closed the fiscal year financially sound. The fiscal year 2010 was a year of accomplishments:

- The housing authority finished the fiscal year averaging an occupancy rate of 98%. We are very proud of this accomplishment by the new management in a short period of time.
- This was the second year in a row that the Authority finished the year with positive cash flows (FYE September 30, 2010 positive cash flow was \$118,373). This was accomplished even though management increased expenditures in routing maintenance repairs and improvements that was desperately needed.
- Thanks to the ARRA funds received of \$30,148, the Authority was able to continue to replace roofs and gutters to all of remaining units.

LONDON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
Unaudited

FINANCIAL CONTACT

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

LONDON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	322,686
Certificate of Deposit		
Tenant Receivables - Net of \$440 Allowance For Doubtful Accounts		1,321
Other Receivable		5,738
Prepaid Expenses		3,187
TOTAL CURRENT ASSETS	\$	<u>332,932</u>

Property and Equipment - Net of \$3,314,672		
Accumulated Depreciation		<u>1,793,564</u>

TOTAL ASSETS	\$	<u><u>2,126,496</u></u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$	28,708
Tenant Security Deposits		10,934
Accrued Wages and Payroll Taxes		7,566
Accrued Compensated Absences		3,388
Other Current Liabilities		2,876
TOTAL CURRENT LIABILITIES	\$	<u>53,472</u>

NON-CURRENT LIABILITIES

Compensated Absences-long term	\$	<u>10,423</u>
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TOTAL LIABILITIES	\$	<u>63,895</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$	1,793,564
Unrestricted		<u>269,037</u>
TOTAL NET ASSETS	\$	<u><u>2,062,601</u></u>

See accompanying notes to the basic financial statements.

LONDON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>REVENUE</u>		
HUD Grants	\$	322,970
Rental Income		242,495
Other Income		<u>6,799</u>
 TOTAL REVENUE	 \$	 <u>572,264</u>
 <u>EXPENSES</u>		
Administrative Salaries	\$	40,851
Employee Benefits		18,488
Auditing Fees		5,075
Sundry Administration		37,825
Management Fees		62,000
Utilities		109,384
Material & Labor		177,047
Depreciation		99,340
General		<u>39,416</u>
 TOTAL EXPENSES	 \$	 <u>589,426</u>
 OPERATING INCOME	 \$	 <u>(17,162)</u>
 <u>NON-OPERATING REVENUES</u>		
Interest Income	\$	760
HUD Capital Grants		135,991
Gain on Sale of Capital Assets		<u>2,700</u>
TOTAL NON-OPERATING REVENUES	\$	<u>139,451</u>
 CHANGE IN NET ASSETS	 \$	 122,289
 NET ASSETS - OCTOBER 1, 2009		 <u>1,940,312</u>
 NET ASSETS - SEPTEMBER 30, 2010	 \$	 <u><u>2,062,601</u></u>

See accompanying notes to the basic financial statements.

LONDON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from HUD	\$ 371,562
Cash received from Tenants & Other	244,869
Cash Payments Operating Expenses	<u>(544,029)</u>
NET CASH PROVIDED FOR OPERATING ACTIVITIES	<u>\$ 72,402</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Grants received for Capital Assets	\$ 135,991
Debit Principal Payment	
Acquisition of Property and Equipment	<u>(136,396)</u>
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	<u>\$ (405)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	\$ 760
Transfer from Investment	<u>45,616</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>\$ 46,376</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 118,373
CASH AND CASH EQUIVALENTS AT OCTOBER 1, 2009	<u>204,313</u>
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30, 2010	<u><u>\$ 322,686</u></u>

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

Net Operating Income (Loss)	\$ (17,162)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation	99,340
Changes in Operating Assets and Liabilities that Increase/Decrease Cash Flows:	
Receivables	44,167
Prepaid Expenses	(151)
Accounts Payable	(45,543)
Accrued Wages and Payroll Taxes	(1,002)
Other Current Liabilities	(7,876)
Tenant Security Deposits	138
Compensated Absences	<u>491</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 72,402</u></u>

See accompanying notes to the basic financial statements.

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

The nucleus of the financial reporting entity as defined by the Government Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criterion 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. The Authority has no component units based on the above considerations.

Basis of Presentation

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

Estimates

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

Cash and Cash Equivalents

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

Restricted Cash

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

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2010, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Investments

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Cost based measures were applied to nonnegotiable certificates of deposit and money market investments. Interest income earned in fiscal year ended September 30, 2010 totaled \$760.

Subsequent Events

Management has evaluated subsequent events through March 4, 2010, the date on which the financial statements were available to be issued.

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tenant Receivables – Recognition of Bad Debts

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance of uncollectible receivable was \$440 at September 30, 2010.

Property and Equipment

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

Depreciation is recorded on the straight-line method.

Long-Term Debt/HUD Contributions

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

Budgetary Accounting

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Compensated Absences

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

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

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Due From/To Other Programs

Interprogram receivables and payables on the FDS Schedule on pages 25-26 are eliminated on the Statement of Net Assets.

Deferred Revenue

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

LONDON METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

The carrying amount of the Authority’s deposits was \$322,461 at September 30, 2010. The corresponding bank balances were \$330,947.

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

Category 1. \$330,947 was covered by federal depository insurance.

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

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer’s investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. For purposes of GASB No. 3, the Authority has no investments at September 30, 2010.

NOTE 3 – CAPITAL ASSETS

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

	<u>2010</u>
<u>Capital Assets Not Depreciated</u>	
Land and Land Improvements	\$408,948
Construction in Progress	<u>4,000</u>
Total Capital Assets Not Depreciated	<u>\$412,948</u>
<u>Capital Assets Being Depreciated</u>	
Buildings and Building Improvements	\$4,423,486
Furniture and Fixtures, Equipment and Moving Vehicles	<u>271,802</u>
Total Capital Assets Being Depreciated	4,695,288
Less: Accumulated Depreciation	<u>(3,314,672)</u>
Subtotal Capital Assets Being Depreciated	<u>1,380,616</u>
Total Capital Assets	<u>\$1,793,564</u>

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 3 – CAPITAL ASSETS – (continued)

A summary of changes in capital assets at September 30, 2010, and 2009 is as follows:

	Sept 30, 2009	Restatements & Reclassification	Additions	Sept 30, 2010
<u>Capital Assets Not Depreciated</u>				
Land and Land Improvements	\$ 340,739	0	68,209	408,948
Construction in Progress	145,360	(145,360)	4,000	4,000
Total Capital Assets Not Depreciated	486,099	(145,360)	72,209	412,948
<u>Capital Assets Being Depreciated</u>				
Buildings and Building Improvements	\$ 4,246,615	0	176,871	\$ 4,246,615
Furniture and Fixtures, Equipment and Moving Vehicles	247,324	(11,200)	35,678	271,802
Total Capital Assets Being Depreciated	\$ 4,493,939	(11,200)	212,549	\$ 4,695,288
<u>Accumulated Depreciation</u>				
Buildings and Improvements	(3,024,590)	0	(87,727)	(3,112,317)
Furniture and Fixtures, Equipment and Moving Vehicles	(201,972)	11,200	(11,613)	(202,355)
Total Accumulated Depreciation	(3,226,562)	11,200	(99,340)	(3,314,672)
Depreciable Assets, Net	1,267,407	0	113,209	1,380,616
Total Capital Assets, Net	\$ 1,753,506	(\$145,360)	\$ 185,418	\$1,793,564

NOTE 4 – DEFINED BENEFIT PENSION PLANS

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, whose investment if self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-5601, or by calling (614) 222- 6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Effective January 1, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate for 2010 and 2009 was 14.0 percent of covered payroll.

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 4 – DEFINED BENEFIT PENSION PLANS – (continued)

The Authority's required contributions for pension obligations to all the plans for the years ended September 30, 2010, 2009, and 2008 were \$8,200, \$7,500, and \$8,255, respectively; 100 percent has been contributed for 2010, 2009, and 2008.

NOTE 5 - POST-EMPLOYMENT BENEFITS

A. Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan that has the elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 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-Employment Benefit (OPEB) as described in GASB Statement No. 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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010 and 2009, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

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. For 2010 and 2009, the employer contributions allocated to health care was 5.5 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided 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 year ended September 30, 2010, which were used to fund post-employment benefits were \$5,305.

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 5 - POST-EMPLOYMENT BENEFITS - (continued)

B. Funding Policy- (continued)

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.

NOTE 6 – 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, 2010, the Authority has accrued vacation and sick leave in the amount of \$10,423 long-term and \$3,388 current portion.

NOTE 7 – INSURANCE

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

NOTE 8 – FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended September 30, 2010, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and charges in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules is on pages 25 and 26. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements

NOTE 9 – 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, 2010.

LONDON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 9 – CONTINGENCIES (continued)

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, 2010, the Authority was not involved in any such matters.

NOTE 10 – AUTHORITY MANAGEMENT

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

LONDON METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2010

FDS LINE NO.	Account Description	14.850 Low Rent Public Hsg	14.855 AARA Capital Fund	14.256 Neighborhood Stabilization Program	Total
ASSETS					
111	Cash - unrestricted	\$ 311,752	\$ 0	\$ 0	\$ 311,752
114	Cash - Tenant Security	10,934	0	0	10,934
100	Total Cash	<u>322,686</u>	<u>0</u>	<u>0</u>	<u>322,686</u>
122	Accounts receivable - HUD Other Projects	0	0	0	0
125	Accounts receivable - Misc	4,520	0	1,218	5,738
126	Accounts receivable - Tenant	1,761	0	0	1,761
126.1	Allowance for doubtful accounts - tenant	(440)	0	0	(440)
126.2	Allowance for doubtful accounts - other	0	0	0	0
129	Accrued interest receivable	0	0	0	0
120	TOTAL RECEIVABLES - NET	<u>5,841</u>	<u>0</u>	<u>1,218</u>	<u>7,059</u>
131	Investments - Unrestricted	0	0	0	0
142	Prepaid Expenses and Other	3,187	0	0	3,187
144	Interprogram Due From	0	0	0	0
150	Total Current Assets	<u>331,714</u>	<u>0</u>	<u>1,218</u>	<u>332,932</u>
161	Land	340,739	0	68,209	408,948
162	Buildings	3,310,538	0	0	3,310,538
163	Furniture and equipment - Dwelling	117,435	0	0	117,435
164	Furniture and equipment - Admin	154,367	0	0	154,367
165	Leasehold improvements	1,112,948	0	0	1,112,948
166	Accumulated depreciation	(3,314,672)	0	0	(3,314,672)
167	Construction in Progress	4,000	0	0	4,000
180	TOTAL NON-CURRENT ASSETS	<u>1,725,355</u>	<u>0</u>	<u>68,209</u>	<u>1,793,564</u>
190	TOTAL ASSETS	<u>\$ 2,057,069</u>	<u>\$ 0</u>	<u>\$ 69,427</u>	<u>\$ 2,126,496</u>
LIABILITIES AND RETAINED EARNINGS					
312	Accounts payable <=90 days	\$ 18,181	\$ 0	\$ 0	\$ 18,181
321	Accrued Wage/Payroll taxes payable	7,566	0	0	7,566
322	Accrued Compensated Absences	3,388	0	0	3,388
333	Accounts payable - other Gov	10,527	0	0	10,527
341	Tenant Security Deposits	10,934	0	0	10,934
342	Deferred Revenue	1,658	0	0	1,658
343	Current Portion of Long-Term Debit	0	0	0	0
346	Accrued Liabilities - Other	0	0	1,218	1,218
347	Interprogram Due	0	0	0	0
310	TOTAL CURRENT LIABILITIES	<u>52,254</u>	<u>0</u>	<u>1,218</u>	<u>53,472</u>
353	Noncurrent liabilities - other	0	0	0	0
354	Accrued Compensated Absences-non current	10,423	0	0	10,423
350	TOTAL NONCURRENT LIABILITIES	<u>10,423</u>	<u>0</u>	<u>0</u>	<u>10,423</u>
300	TOTAL LIABILITIES	<u>62,677</u>	<u>0</u>	<u>1,218</u>	<u>63,895</u>
508.1	Invested in Capital Assets, Net of Debt	1,725,355	0	68,209	1,793,564
512.1	Unrestricted Net Assets	269,037	0	0	269,037
513	TOTAL EQUITY/NET ASSETS	<u>1,994,392</u>	<u>0</u>	<u>68,209</u>	<u>2,062,601</u>
600	TOTAL LIABILITIES AND EQUITY NET ASSETS	<u>\$ 2,057,069</u>	<u>\$ 0</u>	<u>\$ 69,427</u>	<u>\$ 2,126,496</u>

LONDON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2010

FDS LINE ITEM NO.	Account Description	14.256				Total
		14.850 Low Rent Public Hsg	14.855 AARA Capital Fund	Neighborhood Stabilization Program	ELIM	
REVENUE						
703	Net Tenant Revenue	\$ 242,495	\$ 0	\$ 0	\$ 0	\$ 242,495
704	Net Tenant Revenue	0	0	0	0	0
705	Total Tenant Revenue	242,495	0	0	0	242,495
706	HUD PHA Operating Grants	317,668	5,302	0	0	322,970
706.1	Capital Grants	42,936	24,846	68,209	0	135,991
711	Investment income	760	0	0	0	760
715	Other Revenue	6,799	0	0	0	6,799
716	Gain or Loss on Sale of Capital Assets	2,700	0	0	0	2,700
700	TOTAL REVENUE	613,358	30,148	68,209	0	711,715
EXPENSES						
911	Administrative Salaries	40,851	0	0	0	40,851
912	Auditing fees	5,075	0	0	0	5,075
913	Management Fee	62,000	0	0	0	62,000
913.1	Book-Keeping Fee	7,800	0	0	0	7,800
915	Employee Benefit Admin	18,488	0	0	0	18,488
916	Office Expenses	8,090	0	0	0	8,090
917	Legal Expenses	7,388	0	0	0	7,388
918	Travel	889	0	0	0	889
919	Other	8,356	5,302	0	0	13,658
924	Tenant Services - Other	1,895	0	0	0	1,895
931	Water	18,111	0	0	0	18,111
932	Electric	13,018	0	0	0	13,018
933	Gas	59,959	0	0	0	59,959
934	Sewer	18,296	0	0	0	18,296
941	Ordinary Mtce & Op. Labor	52,531	0	0	0	52,531
942	Ordinary Mtce & Op. Materials	32,515	0	0	0	32,515
943	Ordinary Mtce & Op. Contract Costs	68,226	0	0	0	68,226
945	Employee Benefit Contr. Mtce	23,775	0	0	0	23,775
952	Protective Services - Other Contract Costs	3,303	0	0	0	3,303
961	Insurance Premiums	22,760	0	0	0	22,760
962	Compensated Absences	491	0	0	0	491
963	Payments in Lieu of Taxes	10,527	0	0	0	10,527
964	Bad Debt - Tenant Rent	440	0	0	0	440
969	TOTAL OPERATING EXPENSE	484,784	5,302	0	0	490,086
970	Excess operating revenue over expenses	128,574	24,846	68,209	0	221,629
OTHER EXPENSES						
974	Depreciation expense	99,340	0	0	0	99,340
900	TOTAL EXPENSES (Acct. 969, 973,974)	584,124	5,302	0	0	589,426
1001	Operating Transfers In	44,936	0	0	(44,936)	0
1002	Operating Transfers Out	(44,936)	0	0	44,936	0
1010	Total Other Financing Sources(Uses)	0	0	0	0	0
1000	Excess of Operating Revenue over Expenses	29,234	24,846	68,209	0	122,289
1103	Beginning Equity	1,940,312	0	0	0	1,940,312
1104	Prior Period Adjustments, Equity Transfers and Correction on Errors	24,846	(24,846)	0	0	24,846

LONDON METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF FEDERAL AWARD EXPENDITURES
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Federal CFDA Number</u>	<u>Funds Expended</u>
<u>FROM U. S. DEPT. OF HUD DIRECT PROGRAMS</u>		
Annual Contribution		
Public Housing:		
PHA Owned Housing:		
Operating Subsidy - Low Rent	14.850	\$ <u>360,604</u>
Modernization Program:		
Capital Fund Program	14.872	\$ <u>0</u>
ARRA Grant	14.885	\$ <u>30,148</u>
Neighborhood Stabilization Program	14.256	\$ <u>68,209</u>
TOTAL - ALL PROGRAMS		\$ <u><u>458,961</u></u>

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

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

The Board of Commissioners
London Metropolitan Housing Authority
London, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the financial statements of the London Metropolitan Housing Authority, as of and for the year ended September 30, 2010, and have issued our report thereon dated March 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered London Metropolitan Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

London Metropolitan Housing Authority
Report on Internal Control Over Financial Reporting and on Compliance
And Other Matters Based On An Audit of Financial Statements Performed
In Accordance with Government Auditing Standards
Page 2

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

Manning & Associates CPAs, LLC
Dayton, Ohio

March 4, 2011

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

London Metropolitan Housing Authority
September 30, 2010

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended September 30, 2010.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended September 30, 2010.

4. SCHEDULE OF PRIOR AUDIT FINDINGS

There are no findings or questioned costs for the year ended September 30, 2009.

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Dave Yost • Auditor of State

LONDON METROPOLITAN HOUSING AUTHORITY

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 5, 2011**