

AUDITED BASIC FINANCIAL STATEMENTS
OF THE
LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY
OCTOBER 1, 2010 – SEPTEMBER 30, 2011





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the London Metropolitan Housing Authority, Madison County, prepared by Wilson, Shannon & Snow, Inc., for the audit period October 1, 2010 through September 30, 2011. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 16, 2012

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**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the London Metropolitan Housing Authority, Madison County, Ohio (the Authority) as of and for the fiscal year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the London Metropolitan Housing Authority, Madison County, as of September 30, 2011, and the changes in financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

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

We conducted our audit to opine on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Supplemental Financial Data Schedules are required by the U.S. Department of Housing and Urban Development, are not a required part of the basic financial statements. The Schedule of Federal Awards Expenditures and Supplemental Financial Data Schedules are management's responsibility, and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
March 26, 2012

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The London Metropolitan Housing Authority, Madison County, (the "Authority") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 11).

FINANCIAL HIGHLIGHTS

- During fiscal year 2011, the Authority's net assets increased by \$104,725 (or 5%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets for fiscal year 2010 were \$2,062,601 and net assets for fiscal year 2011 were \$2,167,326.

- Revenues increased by \$23,882 during fiscal year 2011, and were \$735,597 and \$711,715 for 2011 and 2010, respectively. The increase was due to the NSP Grant for the acquisition of the South Oak lot that will be used to construct a 4 unit apartment building.

- Expenses of the Authority increased by \$41,446 (or 7%). Total expenses were \$589,426 and \$630,872 for fiscal year 2010 and fiscal year 2011, respectively.

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(UNAUDITED)**

USING THIS ANNUAL REPORT

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

MD&A

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

Basic Financial Statements

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

Other Required Supplementary Information

~ Required Supplementary Information - none~

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(UNAUDITED)**

Government-Wide Financial Statements

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

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formally 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 (formally equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets: This component of Net Assets consists of all Capital Assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Authority does not have any outstanding debt.

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

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets", or "Restricted Net Assets".

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

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

The Authority's Fund

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

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(UNAUDITED)**

Business-Type Activities:

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

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

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

Statement of Net Assets

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

STATEMENT OF NET ASSETS

	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 383,061	\$ 332,932
Capital Assets	<u>1,838,132</u>	<u>1,793,564</u>
Total Assets	<u>2,221,193</u>	<u>2,126,496</u>
Current Liabilities	53,867	53,472
Non-Current Liabilities	<u>-</u>	<u>10,423</u>
Total Liabilities	<u>53,867</u>	<u>63,895</u>
Net Assets		
Invested in Capital Assets	1,838,132	1,793,564
Unrestricted	<u>329,194</u>	<u>269,037</u>
Total Net Assets	\$ <u>2,167,326</u>	\$ <u>2,126,496</u>

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(UNAUDITED)**

Major Factors Affecting the Statement of Net Assets

During fiscal year 2011 current and other assets increased by \$50,129 and total liabilities decreased by \$10,028. The increase in the current and other assets is accounted for in the restricted and unrestricted cash balances that increased by a combined total of \$47,658. The decrease in liabilities resulted from reduction of intergovernmental payable based on application of overpayment credits to amounts owed to the County for payment in lieu of taxes.

Capital assets increased \$44,568 during fiscal year 2011. The increase is attributed to the net of current year depreciation against current year additions. For more detail see "Capital Assets and Debt Administration" on page 9.

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

CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets September 30, 2010		\$269,037
Results of Operations	\$ 104,725	
Adjustments		
Depreciation (1)	156,116	
Capital Expenditures	<u>(200,684)</u>	
Adjusted Results from Operations		<u>60,157</u>
Unrestricted Net Assets September 30, 2011		<u>\$329,194</u>

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(UNAUDITED)**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Revenues		
Tenant Revenue	\$ 216,798	\$ 242,495
Government Operating Grants	343,897	322,970
Capital Grants	168,809	135,991
Interest	85	760
Other Revenues	<u>6,008</u>	<u>9,499</u>
Total Revenue	<u>735,597</u>	<u>711,715</u>
Expenses		
Administrative	156,721	164,239
Tenant Services	411	1,895
Utilities	114,564	109,384
Maintenance	162,044	177,047
Protective Services	4,900	3,303
General	36,086	34,218
Depreciation	<u>156,116</u>	<u>99,340</u>
Total Expenses	<u>630,872</u>	<u>589,426</u>
Change in Net Assets	104,725	122,289
Net Assets at October 1	<u>2,062,601</u>	<u>1,940,312</u>
Net Assets at September 30	\$ <u>2,167,326</u>	\$ <u>2,062,601</u>

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

HUD Operating Grants increased by \$20,927 and Capital Grant Funds increased by \$32,818 during the fiscal year. The increases were due to capital fund activities that took place during the fiscal year.

Tenant revenue decreased by \$25,697. The decrease was primarily due to family income decreasing as a reflection of current economic conditions.

Expenditures increased during the year by \$41,446. The increase was due to increase in depreciation expense of \$56,776. Actual operating expenses decrease for the year by \$15,330. This was due to continuing cost cutting efforts implemented by management and the continues of monitoring expenses.

Most other expenses fluctuated moderately due to reduction of expenses instituted by the Authority to minimize costs and budget concerns.

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(UNAUDITED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2011, the Authority had \$1,838,132 invested in capital assets as reflected in the following schedule, which represents which represents a net increase (current year acquisitions less depreciation) of \$44,568 from the end of last year.

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

	<u>Business-type Activities</u>	
	<u>2011</u>	<u>2010</u>
Capital Assets, Cost	\$ 5,308,920	\$ 5,108,236
Accumulated Depreciation	(3,470,788)	(3,314,672)
Total	\$ <u>1,838,132</u>	\$ <u>1,793,564</u>

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

CHANGE IN CAPITAL ASSETS

Beginning Balance, October 1, 2010	\$ 1,793,564
Current Year Purchases	200,684
Transfers:	
Deletion: Construction in Progress	(4,000)
Addition: Leasehold Improvements	4,000
Less: Depreciation Expense	<u>(156,116)</u>
Ending Balance, September 30, 2011	\$ <u>1,838,132</u>

Current year purchases are summarized as follows:

- Window Replacements	\$ <u>200,684</u>
Total Current Additions	\$ <u>200,684</u>

There were no disposals of depreciable assets during fiscal year 2011. As reflected in the "Change in Capital Assets" above, during fiscal year 2011, \$4,000 of construction in progress was capitalized as leasehold improvements as the result of the completion of the window replacement project.

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(UNAUDITED)**

Debt Outstanding

As of September 30, 2011, the Authority has no outstanding debt.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recession and employment trends, which can affect resident incomes and therefore the demand for housing assistance.
- Inflationary pressure on utility rates, supplies and other costs.

IN CONCLUSION

London Metropolitan Housing Authority takes great pride in its financial management and is pleased to report that once again the Authority closed the fiscal year financially sound:

- The Authority finished the fiscal year averaging an occupancy rate of 98%.
- This was the third year in a row that the Authority finished the year with positive cash flows (FYE September 30, 2011 positive cash flow was \$47,658).

London Metropolitan Housing Authority is excited and proud to announce that it was awarded a \$580,000 grant by the Ohio Housing Finance Agency (OHFA) to finance the construction of a four unit apartment building. This grant will be received in the next fiscal year when the construction of the new apartment building called South Oak Place will take place. We are hopeful that this grant will mark the beginning of a future partnership with OHFA to address a desperate need of additional affordable housing in Madison County.

FINANCIAL CONTACT

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

ASSETS

Current assets

Cash and cash equivalents	\$	358,704
Receivables, net		9,867
Prepaid items		2,850
Total current assets		<u>371,421</u>

Noncurrent assets

Restricted cash and cash equivalents		11,640
Capital assets:		
Land		408,948
Building, improvements, furniture, equipment, and vehicles		4,899,972
Less accumulated depreciation		<u>(3,470,788)</u>
Total capital assets		<u>1,838,132</u>
Total noncurrent assets		<u>1,849,772</u>
Total Assets		<u>2,221,193</u>

LIABILITIES

Current liabilities

Accounts payable		21,926
Accrued wages and benefits		4,480
Accrued compensated absences		4,309
Intergovernmental payables		10,007
Tenant security deposits		11,640
Unearned revenue		<u>1,505</u>
Total Liabilities		<u>53,867</u>

NET ASSETS

Invested in capital assets		1,838,132
Unrestricted net assets		<u>329,194</u>
Total Net Assets		<u>\$ 2,167,326</u>

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

OPERATING REVENUES

Tenant revenue	\$ 216,798
Government operating grants	343,897
Other revenue	6,008
Total Operating Revenues	<u>566,703</u>

OPERATING EXPENSES

Administrative	156,721
Tenant services	441
Utilities	114,564
Maintenance	162,044
Protective services	4,900
General and insurance	36,086
Depreciation	156,116
Total Operating Expenses	<u>630,872</u>

Operating Loss	<u>(64,169)</u>
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NONOPERATING REVENUES (EXPENSES)

Investment revenue	85
Capital grants	168,809
Total Nonoperating Revenues	<u>168,894</u>

Change in Net Assets	104,725
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Net Assets at October 1, 2010	<u>2,062,601</u>
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Net Assets at September 30, 2011	<u><u>\$ 2,167,326</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$ 343,897
Tenant revenue received	218,541
Other revenue received	2,140
General and administrative expenses paid	(480,197)
Net cash provided by operating activities	84,381

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	85
Net cash provided by investing activities	85

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Capital grant received	163,876
Purchase of capital assets	(200,684)
Net cash used by capital and related activities	(36,808)

Net increase in cash	47,658
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Cash and cash equivalents at October 1, 2010	322,686
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Cash and cash equivalents at September 30, 2011	\$ 370,344
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RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (64,169)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	156,116
(Increases) decreases in:	
Accounts receivable	2,125
Prepays items	337
Increases (decreases) in:	
Accrued liabilities	(13,806)
Accounts and intergovernmental payables	3,225
Tenant security deposits	706
Unearned revenue	(153)
Net cash provided by operating activities	\$ 84,381

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Excluded Entity

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

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

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

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

For fiscal year-end 2011, Madison Housing Development Corporation has no assets, liabilities, revenues, or expenditures, therefore, it has been excluded from reporting.

Fund Accounting

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

Proprietary Fund Types:

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

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

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Description of programs

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

A. Public Housing Program

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

B. Capital Fund Program

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

C. Business Activities

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

Capital Assets

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

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

Cash and Cash Equivalents

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee, 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a current liability.

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

Capital Contributions

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislature adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments. When an expense is incurred for purposes which both restricted and unrestricted net assets are available, the Authority first applies restricted net assets. The Authority did not have net assets restricted by enabling legislature at September 30, 2011.

Estimates

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Prepaid Items

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Tenant Security Deposits of \$11,640.

Operating Revenues and Expenses

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

Accounts Receivable

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

Unearned Revenues

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

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

2. CASH AND CASH EQUIVALENTS

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

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

2. CASH AND CASH EQUIVALENTS – (CONTINUED)

Cash and cash equivalents included in the Authority's cash position at September 30, 2011 are as follows:

Demand deposits:

Bank balance - Checking	\$296,805	Bank balance - Savings	\$85,121
Items-in-transit	<u>(11,807)</u>	Items-in-transit	<u>-</u>
Carrying balance	<u>\$284,998</u>	Carrying balance	<u>\$85,121</u>

Of the fiscal year-end bank balance, \$335,121 of deposits of the total checking and saving account balances were covered by federal deposit insurance and the remaining balance of \$46,805 was covered by pledged and pooled securities held by third-party trustees maintaining collateral for all public funds on deposit. \$225 was maintained in petty cash funds

Based on the Authority having only demand deposits at September 30, 2011, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

3. RISK MANAGEMENT

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

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

4. CAPITAL ASSETS

The following is a summary of capital assets at September 30, 2011:

	Balance <u>October 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>September 30, 2011</u>
<u>Business-Type Activities - Cost</u>				
Non-Depreciable Assets:				
Land	\$ 408,948	\$ -	\$ -	\$ 408,948
Construction in Progress	<u>4,000</u>	-	<u>(4,000)</u>	-
Total Non-Depreciable Assets	<u>412,948</u>	-	<u>(4,000)</u>	<u>408,948</u>
Depreciable Assets:				
Buildings and Improvements	3,310,538	-	-	3,310,538
Furniture, Equipment, and Vehicles	271,802	-	-	271,802
Leasehold Improvements	<u>1,112,948</u>	<u>204,684</u>	-	<u>1,317,632</u>
Total Depreciable Assets	<u>4,695,288</u>	<u>204,684</u>	-	<u>4,899,972</u>
<u>Less: accumulated depreciation</u>				
Buildings and Improvements	(2,934,467)	(66,772)	-	(3,001,239)
Furniture, Equipment, and Vehicles	(202,355)	(16,225)	-	(218,580)
Leasehold Improvements	<u>(177,850)</u>	<u>(73,119)</u>	-	<u>(250,969)</u>
Total accumulated depreciation	<u>(3,314,672)</u>	<u>(156,116)</u>	-	<u>(3,470,788)</u>
Total Depreciable Assets, Net	<u>1,380,616</u>	<u>48,568</u>	-	<u>1,429,184</u>
Total Capital Assets, Net	<u>\$ 1,793,564</u>	<u>\$ 48,568</u>	<u>\$(4,000)</u>	<u>\$ 1,838,132</u>

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

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

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

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

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

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

Funding Policy – The Authority and covered employees contribute at actuarially determined rates for both 2011 and 2010, 14% and 10%, respectively, of covered employee payroll to OPERS. The Authority’s contributions to OPERS for the years ended September 30, 2011, 2010, and 2009 were \$16,680, \$13,505, and \$12,353, respectively which were equal to the required contributions for each year. Eighty-nine percent has been contributed for 2011. All required contributions for the two previous years have been paid.

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

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

OPERS’ Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contribution allocated to the health care plan was 4.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended September 30, 2011, 2010 and 2009, which were used to fund post-employment benefits, were \$4,766; \$5,305, and \$6,281, respectively.

The Health Care Preservation Fund (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health plan.

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

6. COMPENSATED ABSENCES

Employees earn annual vacation and sick leave per anniversary year, based on years of service. Annual vacation leave may be carried forward to the next fiscal year and paid upon termination or retirement. Prior to fiscal year end 2011, sick leave may be accumulated and is paid out based on Board policy upon termination or retirement; based on a policy revision in fiscal year 2011, employees are no longer paid out accumulated sick leave upon retirement. The entire liability is considered to be due in one year. As of September 30, 2011, the accrual for compensated absences totaled \$4,309 and has been included in the accompanying Statement of Net Assets.

The following is a summary of compensated absences at September 30, 2011:

<u>Balance at October 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2011</u>	<u>Due in One Year</u>
\$13,811	\$921	\$(10,423)	\$4,309	\$4,309

7. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Authority at September 30, 2011.

B. Litigation

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

8. SUBSEQUENT EVENT

The Authority was awarded a \$580,000 grant by the Ohio Housing Finance Agency (OHFA) to finance the construction of a four unit apartment building. This grant will be received in the next fiscal year when the construction of the new apartment building called South Oak Place will take place. This grant will help address a desperate need of additional affordable housing in Madison County.

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2011**

FDS Line Item No.	Account Description	14.850 Low Rent Public Housing	Business Activities	Total
	Current Assets			
	Cash			
111	Cash - Unrestricted	\$ 358,704	\$ -	\$ 358,704
114	Cash - Tenant Security Deposits	11,640	-	11,640
100	Total Cash	<u>370,344</u>	<u>-</u>	<u>370,344</u>
	Accounts Receivable			
122	HUD Other Projects	4,933	-	4,933
125	Miscellaneous	1,870	-	1,870
126	Tenants	4,621	-	4,621
126.1	Allowance for Doubtful Accounts - Tenants	<u>(1,557)</u>	<u>-</u>	<u>(1,557)</u>
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>9,867</u>	<u>-</u>	<u>9,867</u>
	Other Assets			
142	Prepaid Items	<u>2,850</u>	<u>-</u>	<u>2,850</u>
150	Total Current Assets	<u>383,061</u>	<u>-</u>	<u>383,061</u>
	Noncurrent Assets			
	Capital Assets			
161	Land	340,739	68,209	408,948
162	Buildings	3,310,538	-	3,310,538
163	Furniture and Equipment - Dwellings	117,435	-	117,435
164	Furniture and Equipment - Administration	154,367	-	154,367
165	Leasehold Improvements	1,317,632	-	1,317,632
166	Accumulated Depreciation	<u>(3,470,788)</u>	<u>-</u>	<u>(3,470,788)</u>
160	Total Capital Assets net of accumulated depreciation	<u>1,769,923</u>	<u>68,209</u>	<u>1,838,132</u>
180	Total Noncurrent Assets	<u>1,769,923</u>	<u>68,209</u>	<u>1,769,923</u>
190	Total Assets	<u>\$ 2,152,984</u>	<u>\$ 68,209</u>	<u>\$ 2,221,193</u>
	Current Liabilities			
312	Accounts Payable	\$ 21,926	\$ -	\$ 21,926
321	Accrued Wages and Payroll Taxes	4,480	-	4,480
322	Accrued Compensated Absences - Current	4,309	-	4,309
333	Accounts Payable - Other Government	10,007	-	10,007
341	Tenant Security Deposits	11,640	-	11,640
342	Deferred Revenue	<u>1,505</u>	<u>-</u>	<u>1,505</u>
310	Total Current Liabilities	<u>53,867</u>	<u>-</u>	<u>53,867</u>
300	Total Liabilities	<u>53,867</u>	<u>-</u>	<u>53,867</u>
	Net Assets			
508.1	Invested in Capital Assets	1,769,923	68,209	1,838,132
512.1	Unrestricted Net Assets	<u>329,194</u>	<u>-</u>	<u>329,194</u>
	Total Net Assets	<u>2,099,117</u>	<u>68,209</u>	<u>2,167,326</u>
600	Total Liabilities and Net Assets	<u>\$ 2,152,984</u>	<u>\$ 68,209</u>	<u>\$ 2,221,193</u>

NOTE FOR REAC REPORTING: The accompanying statements have been prepared in accordance with the format as required for HUD's electronic filing REAC system. The format and classifications of various line items may differ from those used in the preparation of the financial statements presented in accordance with accounting principles generally accepted in the United States of America.

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

FDS Line Item No.	Account Description	14.850 Low Rent Public Housing	14.872 Public Housing Capital Fund Program	Business Activites	Total
	Revenue				
70300	Net Tenant Rental Revenue	\$ 216,798			\$ 216,798
70500	Total Tenant Revenue	<u>216,798</u>			<u>216,798</u>
70600	HUD PHA Operating Grants	306,397	\$ 37,500	\$ -	343,897
70610	Capital Grants	-	168,809	-	168,809
71100	Investment Income - Unrestricted	85	-	-	85
71500	Other Revenue	6,008	-	-	6,008
70000	Total Revenue	<u>529,288</u>	<u>206,309</u>	<u>-</u>	<u>735,597</u>
	Expenses				
91100	Administrative Salaries	35,799	-	-	35,799
91200	Auditing Fees	4,014	-	-	4,014
91300	Management Fee	44,500	15,500	-	60,000
91310	Bookkeeping Fee	7,800	-	-	7,800
91500	Employee Benefit Contribution - Administrative	18,093	-	-	18,093
91600	Office Expenses	8,722	-	-	8,722
91700	Travel	6,697	-	-	6,697
91900	Other	15,596	-	-	15,596
91000	Total Operating - Administrative	<u>141,221</u>	<u>15,500</u>	<u>-</u>	<u>156,721</u>
92400	Tenant Services - Other	441	-	-	441
92500	Total Tenant Services	<u>441</u>	<u>-</u>	<u>-</u>	<u>441</u>
93100	Water	19,962	-	-	19,962
93200	Electricity	13,887	-	-	13,887
93300	Gas	60,055	-	-	60,055
93600	Sewer	20,660	-	-	20,660
93000	Total Utilities	<u>114,564</u>	<u>-</u>	<u>-</u>	<u>114,564</u>
94100	Ordinary Maintenance and Operations - Labor	49,445	-	-	49,445
94200	Ordinary Maintenance and Operations - Materials and Other	16,885	-	-	16,885
94300	Ordinary Maintenance and Operations - Contracts	70,724	-	-	70,724
94500	Employee Benefit Contributions - Ordinary Maintenance	24,990	-	-	24,990
94000	Total Maintenance and Operations	<u>162,044</u>	<u>-</u>	<u>-</u>	<u>162,044</u>
95200	Potective Services - Other Contract Costs	4,900	-	-	4,900
95000	Total Protective Services	<u>4,900</u>	<u>-</u>	<u>-</u>	<u>4,900</u>
96110	Property Insurance	17,438	-	-	17,438
96130	Workmen's Compensation	2,379	-	-	2,379
96100	Total Insurance Premiums	<u>19,817</u>	<u>-</u>	<u>-</u>	<u>19,817</u>
96210	Compensated Absences	5,898	-	-	5,898
96400	Bad Debts - Tenant Rents	10,371	-	-	10,371
96000	Total Other General Expenses	<u>16,269</u>	<u>-</u>	<u>-</u>	<u>16,269</u>
96900	Total Operating Expenses	<u>459,256</u>	<u>15,500</u>	<u>-</u>	<u>474,756</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>70,032</u>	<u>190,809</u>	<u>-</u>	<u>260,841</u>
	Other Expenses				
97400	Depreciation Expense	156,116	-	-	156,116
	Total Other Expenses	<u>156,116</u>	<u>-</u>	<u>-</u>	<u>156,116</u>
90000	Total Expenses	<u>615,372</u>	<u>15,500</u>	<u>-</u>	<u>630,872</u>
	Other Financing Sources (Uses)				
10010	Operating Transfers In	22,000	-	-	22,000
10020	Operating Transfers Out	-	(22,000)	-	(22,000)
	Total Other Financing Sources (Uses)	<u>22,000</u>	<u>(22,000)</u>	<u>-</u>	<u>-</u>
10000	Excess of Revenues under Expenses	(64,084)	168,809	-	104,725
11030	Beginning Net Assets	1,994,392	-	68,209	2,062,601
11040	Equity Transfers	168,809	(168,809)	-	-
	Ending Net Assets	<u>\$ 2,099,117</u>	<u>\$ -</u>	<u>\$ 68,209</u>	<u>\$ 2,167,326</u>

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

<u>Federal Grantor / Pass Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Low Rent Public Housing	14.850	\$ 306,397
Public Housing Capital Fund Program	14.872	206,309
Total Federal Awards Expenditures		<u><u>\$ 512,706</u></u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of Federal Awards Expenditures is a summary of the activity of the Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting.

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

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

We have audited the financial statements of the London Metropolitan Housing Authority, Madison County, Ohio (the Authority) as of and for the fiscal year ended September 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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.

Wilson, Shannon & Snow, Inc.

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

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the Board of Directors, management, federal awarding agencies, and other members of the Authority. We intend it for no one other than these specified parties.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
March 26, 2012



**Independent Auditors' Report on Compliance with Requirements
Applicable to Its Major Federal Program and on Internal Control over
Compliance Required by OMB Circular A-133**

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

Compliance

We have audited the compliance of the London Metropolitan Housing Authority, Madison County, Ohio (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Authority's major federal program for the fiscal year ended September 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Authority's major federal program. The Authority's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to opine on the Authority's compliance based on our audit.

Our compliance followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure about whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the London Metropolitan Housing Authority, Madison County, complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended September 30, 2011.

Wilson, Shannon & Snow, Inc.

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

Internal Control over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the Board of Directors, management, federal awarding agencies, and other members of the Authority. It is not intended for anyone other than these specified parties.

Wilson, Shannon E. Shaw, Inc.

Newark, Ohio
March 26, 2012

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Low Rent Public Housing/CFDA #14.850
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**LONDON METROPOLITAN HOUSING AUTHORITY
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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 29, 2012**