# LONDON METROPOLITAN HOUSING AUTHORITY
# MADISON COUNTY

Regular Audit

For the Fiscal Year Ended September 30, 2022

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the London Metropolitan Housing Authority, Madison County, prepared by Kevin L. Penn, Inc, for the audit period October 1, 2021 through September 30, 2022. 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.

Keith Faber
Auditor of State
Columbus, Ohio

**May 01, 2023**

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**LONDON METROPOLITAN HOUSING AUTHORITY**
**MADISON, OHIO**

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**INDEPENDENT AUDITOR'S REPORT**

**London Metropolitan Housing Authority**
Madison County
179 South Main Street
London, Ohio 43140

To the Board of Trustees

## Report on the Audit of the Financial Statements

### *Opinions*

I have audited the financial statements of the business-type activities, of the London Metropolitan Housing Authority, Madison County, Ohio, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the London Metropolitan Housing Authority's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the London Metropolitan Housing Authority, Madison County, Ohio as of September 30, 2022, and the respective changes in financial position and, cash flows thereof and for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am required to be independent of the London Metropolitan Housing Authority, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the London Metropolitan Housing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the London Metropolitan Housing Authority's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the London Metropolitan Housing Authority's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I 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 provide any assurance.

***Supplementary information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the London Metropolitan Housing Authority's basic financial statements. The Supplemental Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Supplemental Financial Data Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated March 28, 2023, on my consideration of the London Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the London Metropolitan Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the London Metropolitan Housing Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.
Cleveland, Ohio

March 28, 2023

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, and (d) identify individual fund issues or concerns.

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

## FINANCIAL HIGHLIGHTS

- Net Position was $2,147,417 and $2,091,348 for fiscal year ending September 30, 2022 and 2021, respectively. The Authority-wide statements reflect an increase of $56,069 during fiscal year 2022. This increase is reflective of the fiscal year's activities.

- The business-type activity revenue decreased by $144,083 during fiscal year 2022, and was $831,702 and $975,785 for 2022 and 2021, respectively.

- The total expenses of all Authority programs increased by $172,068. Total expenses were $775,633 and $603,565 for 2022 and 2021, respectively.

## USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

| |
|---|
| MD&A<br>~ Management's Discussion and Analysis ~ |
| Basic Financial Statements<br>~ Statement of Net Position ~<br>~ Statement of Revenues, Expenses and Changes in Net Position ~<br>~ Statement of Cash Flows ~<br>~ Notes to the Basic Financial Statements ~ |
| Other Required Supplementary Information<br>~ Required Supplementary Information (Pension and OPEB Schedules) ~ |
| Supplementary and Other Information<br>~ Financial Data Schedules ~ |

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 basis for comparison (fiscal year-to-fiscal year or Authority to Authority), and enhance the Authority's accountability.

**Government-Wide Financial Statements**

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

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets and deferred outflows of resources, minus liabilities and deferred inflows of resources, equal "Net Position". 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 Position (the "Unrestricted portion") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position is reported in three broad categories:

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

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

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

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

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

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

## THE AUTHORITY'S FUND

The Authority consists exclusively of 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).

<u>Business Type Activities:</u>

<u>Conventional Public Housing (PH)</u> – 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.

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

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

Statement of Net Position

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

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## STATEMENT OF NET POSITION

| | 2022 | 2021 |
|---|---|---|
| Current and Other Non-Current Assets | $881,277 | $857,914 |
| Capital Assets | 2,148,270 | 2,075,861 |
| Total Assets | $3,029,547 | $2,933,775 |
| | | |
| Deferred Outflows of Resources | $56,530 | $50,698 |
| | | |
| Current Liabilities | $102,470 | $75,251 |
| Non-Current Liabilities | 678,443 | 702,039 |
| Total Liabilities | $780,913 | $777,290 |
| | | |
| Deferred Inflows of Resources | $157,747 | $115,835 |
| | | |
| Net Position: | | |
| Net Investment in Capital Assets | 1,568,270 | 1,495,861 |
| Unrestricted | 579,147 | 595,487 |
| Total Net Position | $2,147,417 | $2,091,348 |

### Major Factors Affecting the Statement of Net Position

Current and other non-current assets (primarily cash and cash equivalents) increased by $23,363 mainly due to change in cash resulting from current fiscal year activities and change in GASB 75 resulting in an OPEB Asset.

The increase in current liabilities of $27,219 was due to change in outstanding vendor payable at fiscal year-end. The decrease in non-current Liabilities of $23,596 was due to change in accrued Pension and OPEB liability at year end.

Capital assets change between fiscal years 2022 and 2021 resulted in an increase of $72,409. This change is the net result of current year additions less depreciation expense.

For further detail, see "Capital Assets and Debt Administration" starting on page 9.

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

## CHANGE OF UNRESTRICTED NET POSITION

| | |
|---|---|
| Unrestricted Net Position September 30, 2021 | $595,487 |
| Results of Operation | 56,069 |
| Adjustments: | |
| Depreciation (1) | 147,127 |
| Amortization | 1,681 |
| Capital Outlay | (213,520) |
| Lease Liability, Net | (7,697) |
| Unrestricted Net Position September 30, 2022 | $579,147 |

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

## CHANGE IN NET INVESTMENT IN CAPITAL ASSETS

| | |
|---|---|
| Net Investment in Capital Assets September 30, 2021 | $1,495,861 |
| Results of Current Fiscal Year Activity: | |
| Depreciation (1) | (147,127) |
| Amortization | (1,681) |
| Capital Outlay | 213,520 |
| Lease Liability, Net | 7,697 |
| Restricted Net Position September 30, 2022 | $1,568,270 |

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

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## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | 2022 | 2021 |
|---|---|---|
| **Revenues** | | |
| Total Tenant Revenues | $310,164 | $256,162 |
| Operating Subsidies | 344,128 | 475,518 |
| Capital Grants | 164,978 | 182,817 |
| Investment Income | 28 | 9 |
| Other Revenues | 12,404 | 61,279 |
| **Total Revenues** | 831,702 | 975,785 |
| **Expenses** | | |
| Administrative | 205,462 | 130,297 |
| Utilities | 104,396 | 99,581 |
| Maintenance | 256,124 | 155,934 |
| Amortization | 1,681 | 0 |
| General and Insurance | 60,843 | 46,185 |
| Depreciation | 147,127 | 171,568 |
| **Total Expenses** | 775,633 | 603,565 |
| Change in Net Position | 56,069 | 372,220 |
| Net Position at Beginning of Year | 2,091,348 | 1,719,128 |
| Net Position at End of Year | $2,147,417 | $2,091,348 |

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

Operating Grant Funds decreased by $131,390 during the fiscal year, and Capital Grant Funding decreased by $17,839. The change in Operating Grant Funds is due to operating subsidy received during the fiscal year. The decrease in capital grant revenue is due to last fiscal year Authority completed the kitchen and bathroom renovation project that was funded with HUD capital grant funds.

Tenant revenue increased by $54,002. The increase was primarily due to change in family income.

Expenditures increased during the fiscal year by $172,068. The increase was mainly due to the change in the GASB 68 and 75 liability, otherwise the expenses remained stable in comparison with prior year.

## CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of fiscal year-end, the Authority had $2,148,270 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (due to additions exceeding depreciation) of $72,409 from the end of last fiscal year.

CAPITAL ASSETS AT FISCAL YEAR END (NET OF DEPRECIATION)

| | 2022 | 2021 |
|---|---|---|
| Land | $408,948 | $408,948 |
| Buildings | 1,766,992 | 1,766,992 |
| Furniture, Equipment and Vehicles | 184,341 | 178,341 |
| Intangible Right-to-Use: Leased Equipment | 7,697 | 0 |
| Leasehold Improvements | 2,598,890 | 2,391,370 |
| Accumulated Depreciation | (2,818,598) | (2,669,790) |
| Total | $2,148,270 | $2,075,861 |

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 5 of the notes to the basic financial statements.

### CHANGE IN CAPITAL ASSETS

| | |
|---|---|
| Beginning Balance - September 30, 2021 | $2,075,861 |
| Current year Additions | 213,520 |
| Intangible Right-to-Use: Leased Equipment | 7,697 |
| Current year Depreciation Expense | (147,127) |
| Current year Amortization | (1,681) |
| Ending Balance - September 30, 2022 | $2,148,270 |

| | |
|---|---|
| Current year Additions are summarized as follows: | |
| Final phase of kitchen and bathroom renovation | $207,520 |
| Computer server | 2,450 |
| Replacement of air condition unit | 3,550 |
| Total Current Year Additions | $213,520 |

Debt Outstanding

In prior fiscal years, the Authority received a loan from Ohio Housing Finance Agency (OHFA) totaling $580,000 for the construction of a four-unit apartment building referred to as South Oak Place. The debt becomes due if the Authority ceases to use the South Oak Place for low-income housing, as detailed in the agreement. This has not occurred as of fiscal year end 2022. More information over Debt can be found in Note 9 in the notes to the basic financial statements.

Condensed Statement of Changes in Debt Outstanding

| | |
|---|---|
| Beginning Balance - September 30, 2021 | $580,000 |
| Current Year Debt Proceeds/Repayments | 0 |
| Ending Balance - September 30, 2022 | $580,000 |

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
- Unknown financial and operational impacts as well as impacts to federal programs because of the COVID-19 pandemic

FINANCIAL CONTACT

The individual to be contacted regarding this report is Sal Consiglio, Executive Director 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 POSITION
SEPTEMBER 30, 2022

ASSETS

| | |
|---|---|
| **Current Assets** | |
| Cash and Cash Equivalents - Unrestricted (Note 3) | $ 815,882 |
| Accounts Receivable - Net | 3,569 |
| Prepaid Expenses and Other Assets | 8,119 |
| Total Current Assets | 827,570 |
| **Non-Current Assets** | |
| Restricted Cash (Note 4) | 23,106 |
| Capital Assets: (Note 6) | |
| Nondepreicable Capital Assets | 408,948 |
| Depreciable Capital Assets | 4,557,920 |
| Accumulated Depreciation | (2,818,598) |
| Total Capital Assets | 2,148,270 |
| Net OPEB Assets | 30,601 |
| Total Non-Current Assets | 30,601 |
| **Deferred Outflow of Resources** | |
| Pension | 56,530 |
| Total Deferred Outflow Resources | 56,530 |
| TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES | $3,086,077 |

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

LIABILITIES DEFERRED INFLOW OF RESOURCES AND NET POSITION

| | |
|---|---|
| **Current Liabilities** | |
| Accounts Payable | $ 38,056 |
| Accrued Wages and Payroll Taxes | 9,077 |
| Accrued Liabilities | 19,514 |
| Accrued Compensated Absences | 5,944 |
| Unearned Revenue | 6,773 |
| Tenant Security Deposits Payable | 23,106 |
| Total Current Liabilities | 102,470 |
| **Non-Current Liabilities** | |
| Loan Liability | 580,000 |
| Net Pension Liability | 91,354 |
| Lease Liability | 6,016 |
| Accrued Compensated Absences | 1,073 |
| Total Non-Current Liabilities | 678,443 |
| Total Liabilities | $ 780,913 |
| Deferred Inflow of Resources | |
| Pension | $ 115,959 |
| OPEB | 41,788 |
| Total Deferred Inflow of Resources | $ 157,747 |
| **Net Position** | |
| Net Investment in Capital Assets | $ 1,568,270 |
| Unrestricted | 579,147 |
| Total Net Position | $ 2,147,417 |

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

LONDON METROPOLITAN HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | |
|---|---|
| **Operating Revenue:** | |
| Tenant Revenue | $ 310,164 |
| Government Operating Grants | 344,128 |
| Other Revenue | 12,404 |
| Total Operating Revenue | 666,696 |
| | |
| **Operating Expenses:** | |
| Administrative | 205,462 |
| Utilities | 104,396 |
| Maintenance | 256,124 |
| Depreciation Expense | 147,127 |
| Amortization Expense | 1,681 |
| General and Insurance | 60,808 |
| Total Operating Expenses | 775,598 |
| | |
| Operating Income (Loss) | (108,902) |
| | |
| Non-Operating Revenues (Expenses) | |
| Interest Income | 28 |
| Government Capital Grant | 164,978 |
| Interest Expense | (35) |
| Total Non-Operating Revenues (Expenses) | 164,971 |
| | |
| Change in Net Position | 56,069 |
| | |
| Net Position - Beginning of Year | 2,091,348 |
| | |
| Net Position - End of Year | $ 2,147,417 |

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

LONDON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | | |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Operating grants received | $ | 344,128 |
| Tenant revenue received | | 308,929 |
| Other revenue received | | 12,404 |
| General and administrative expenses paid | | (606,968) |
| Net Cash Provided (Used) by Operating Activities | | 58,493 |
| | | |
| **Cash Flows From Capital and Related Financing Activities:** | | |
| Property and equipment purchased | | (213,520) |
| Interest Expense | | (35) |
| Leased Liability, net | | (7,697) |
| Capital grant received | | 164,978 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | | (56,274) |
| | | |
| **Cash Flows From Investing Activities:** | | |
| Interest Income | | 28 |
| Net Cash Provided (Used) by Investing Activities | | 28 |
| | | |
| Increase (Decrease) in Cash and Cash Equivalents | | 2,247 |
| Cash and Cash Equivalents - Beginning of Year | | 836,741 |
| Cash and Cash Equivalents - End of Year | $ | 838,988 |
| | | |
| **Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:** | | |
| Operating Income (Loss) | $ | (108,902) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities: | | |
| Depreciation | | 147,127 |
| Amortization | | 1,681 |
| (Increase) decrease in: | | |
| Accounts Receivable - net | | (3,288) |
| Prepaid Expense | | (803) |
| Other Assets | | (17,025) |
| Deferred Outflow of Resources | | (5,832) |
| Increase (decrease) in: | | |
| Accounts Payable | | 28,677 |
| Compensated Absences | | (134) |
| Accrued Expenses | | 9,942 |
| Accrued Pension | | (29,774) |
| Lease Liability | | 6,016 |
| Deferred Inflow of Resources | | 41,912 |
| Unearned Revenue | | 1,491 |
| Tenant security deposits | | 186 |
| Intergovernmental Payable | | (12,781) |
| Net cash used in operating activities | $ | 58,493 |

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

## NOTE 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 generally accepted accounting principles (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. 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,* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, 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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

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.

Excluded Entity

The following entity is excluded from the Reporting Entity; because there were no activities conducted during the fiscal year. In addition, the Madison Housing Development Corporation has no assets or liabilities.

> 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 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 2022, Madison Housing Development Corporation has no assets, liabilities, revenues, or expenditures. It has been excluded from reporting because it has no assets or liabilities.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the HUD 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 Type:*

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

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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

The Authority accounts for and reports all 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.

### Accounting and Reporting for Nonexchange Transactions

The Authority accounts for nonexchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Nonexchange transactions occur when the Authority receives (or gives) value without directly giving (or receiving) equal value in return.

In conformity with the requirements of GASB Statement No. 33, the Authority has recognized grant funds expended for capitalizable capital assets acquired after September 30, 2000 as revenues and the related depreciation thereon, as expenses in the accompanying Statement of Revenue, Expenses and Changes in Net Position.

### Capital Assets

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

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

Total depreciation expense for the 2022 fiscal year was $147,127.

### 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.

### 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.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

### Estimate

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, liabilities and deferred outflow and inflow of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Accounts Receivable

Management considers all accounts receivable (excluding the tenant accounts receivable) to be collected in full.

### Prepaid Items

Payments made to vendors for services that will benefit beyond fiscal year-end are reported as prepaid items via the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense is reported in the fiscal year which services are consumed.

### 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 fund liability.

### Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Note 7 and 8.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 7 and 8.

Pensions / Other Post-Employment Benefits

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Capital Grants

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

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is 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. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The authority did not have net position restricted by enabling legislature at September 30, 2022.

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 $23,106.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Operating Revenues and Expenses

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day-to-day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

## NOTE 2: ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2022, the Authority has implemented Government Accounting Standards Board (GASB) Statement No. 87 "*Leases*", and the related guidance from GASB Implementation Guide 2019-3, "*Leases*".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A Lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The leases of the Authority have been reflected in the financial statements.

The Authority also implemented Guide 2020-1 "*Implementation Guide Update – 2020*", GASB Statement No. 92, "*Omnibus 2020*", GASB Statement No. 92, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. These changes were incorporated in the Authority's financial statements; however, there was no effect on the beginning net position balance.*

## NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

## NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS - (CONTINUED)

At fiscal year-end, the carrying amount of the Authority's deposits was $838,863 and the bank balance was $850,616. In addition, $125 was maintained in petty cash funds which is included in cash and cash equivalents presented on the statement of net position. Federal deposit insurance covered $250,000 of the bank balance and $600,616 was uninsured. Of the uninsured bank balance, the Authority was exposed to custodial risk as follows:

| | |
|---|---|
| Uninsured and collateralized with pledged securities held in Huntington National Bank | $600,616 |
| Total Balance | $600,616 |

## NOTE 4: RESTRICTED CASH

The Authority had $23,106 in restricted cash as of September 30, 2022. Restricted cash is the tenant security deposit held in the bank.

## NOTE 5: INSURANCE AND 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 fiscal year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## NOTE 6: CAPITAL ASSETS

The following is a summary of capital assets on September 30, 2022:

| | Balance 9/30/2021 | Additions | Disposals | Balance 9/30/2022 |
|---|---|---|---|---|
| Capital Assets not depreciated | | | | |
| Land | $408,948 | $0 | $0 | $408,948 |
| Total Capital Assets not Depreciated | 408,948 | 0 | 0 | 408,948 |
| Capital Assets depreciated | | | | |
| Building | 1,766,992 | | | 1,766,992 |
| Furniture, Equipment and Vehicles | 178,341 | 6,000 | | 184,341 |
| Leasehold Improvement | 2,391,370 | 207,520 | | 2,598,890 |
| Intangible Right-to-Use: Leased Equipment | 0 | 7,697 | | 7,697 |
| Total Capital Assets Depreciated/Amortized | 4,336,703 | 221,217 | 0 | 4,557,920 |
| Accumulated Depreciation | | | | |
| Building | (1,263,773) | (18,381) | | (1,282,154) |
| Furniture, Equipment and Vehicles | (156,718) | (4,518) | | (161,236) |
| Leasehold Improvement | (1,249,299) | (124,228) | | (1,373,527) |
| Intangible Right-to-Use: Leased Equipment | 0 | (1,681) | | (1,681) |
| Total Accumulated Depreciation/Amortized | (2,669,790) | (148,808) | 0 | (2,818,598) |
| Total Capital Assets Depreciated - Net | 1,666,913 | 72,409 | 0 | 1,739,322 |
| Total Capital Assets - Net | $2,075,861 | $72,409 | $0 | $2,148,270 |

## NOTE 7: DEFINED BENEFIT PENSION PLANS

Net Pension Liability - The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position.

**NOTE 7: DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the way pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the fiscal year is included in *accrued wages and payroll taxes* on the accrual basis of accounting.

Plan Description - Authority employees participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and combined plan, substantially all employees are in the OPERS' traditional plan; therefore the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222- 7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group.

## NOTE 7: DEFINED BENEFIT PENSION PLANS – (CONTINUED)

The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS ACFR referenced above for additional information):

| Group A<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | Group B<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Group C<br>Members not in other Groups and members hired on or after January 7, 2013 |
|---|---|---|
| **State and Local** | **State and Local** | **State and Local** |
| Age and Service Requirements:<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements:<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements:<br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| **Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Formula:**<br>2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final Average Salary (FAS) represents the average of the three highest years of earnings over a members' career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| **2022 Statutory Maximum Contribution Rates** | **State and Local** |
|---|---|
| Employer | 14% |
| Employee | 10% |

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of the Traditional Pension Plan employer contributions allocated to health care was 0.0 percent for 2022.

## NOTE 7: DEFINED BENEFIT PENSION PLANS – (CONTINUED)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution for the traditional plan was $22,133 for the fiscal year ended September 30, 2022. Of this amount $1,719 was included in the accrued wages and payroll taxes.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | Traditional Plan |
|---|---|
| Proportionate Share of Net Pension Liability | $ 91,354 |
| Proportion of the Net Pension Liability | |
| Prior Measurement Date | 0.000818% |
| Current Measurement Date | 0.001050% |
| Change in Proportion from Prior | 0.000232% |
| Pension Expense (Income) | $ 4,007 |

On September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Traditional Plan |
|---|---|
| Deferred Outflows of Resources | $ 11,424 |
| Assumption Changes | 4,657 |
| Difference between expected and actual experience | |
| Change in proportionate share and difference between employer contribution and proportionate share of contribution | 28,678 |
| Authority contributions subsequent to the measurement date | 11,771 |
| Total Deferred Outflows of Resources | $ 56,530 |

**NOTE 7: DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

| | Traditional Plan |
|---|---|
| Deferred Inflows of Resources | |
| Net Difference between projected and actual earning on pension plan investments | $ 108,663 |
| Assumption Changes | |
| Difference between expected and actual experience | 2,004 |
| Change in proportionate share and difference between employer contribution and proportionate share of contribution | 5,292 |
| Total Deferred Inflows of Resources | $ 115,959 |

$11,771 reported as deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | | Traditional Plan |
|---|---|---|
| Fiscal Year Ending September 30: | | |
| | 2023 | $ (789) |
| | 2024 | 29,151 |
| | 2025 | 25,551 |
| | 2026 | 17,287 |
| Total | | $ 71,200 |

**Actuarial Assumptions – OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

**NOTE 7: DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

| Actuarial Information | Traditional Plan |
|---|---|
| Measurement and Valuation Date | December 31, 2021 |
| Experience Study | 5-year ended 12/31/2020 |
| Actuarial Cost Method | Individual entry age |
| Actuarial Assumption: | |
| Investment Rate of Return | 6.9% |
| Wage Inflation | 2.75% |
| Future Salary Increases, including inflation 2.75% | 2.75 - 10.75 % |
| Cost-of-Living Adjustment | Pre 01/07/13 Retirees: 3% Simple<br>Post 01/07/13 Retirees: 3.0% Simple through 2022, then 2.05% Simple |

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 15.3 percent for 2021.

## NOTE 7: DEFINED BENEFIT PENSION PLANS – (CONTINUED)

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

| Asset Class | Target Allocation as of December 31, 2021 | Weighted Average Long-Term Expected Real Rate of Return |
|---|---|---|
| Fixed Income | 24.00% | 1.03% |
| Domestic Equities | 21.00% | 3.78% |
| Real Estate | 11.00% | 3.66% |
| Private Equity | 12.00% | 7.43% |
| International Equities | 23.00% | 4.88% |
| Risk Parity | 5.00% | 2.92% |
| Other Investments | 4.00% | 2.85% |
| Total | 100.00% | 4.21% |

*Discount Rate:* The discount rate used to measure the total pension liability was 6.9 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to makme all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:* The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

| | 1% Decrease (5.9%) | Current Discount Rate (6.9%) | 1% Increase (7.9%) |
|---|---|---|---|
| Authority's proportionate share of the net pension liability | | | |
| - Traditional Pension Plan | $240,860 | $91,354 | $33,054 |

## NOTE 8: POSTEMPLOYMENT BENEFITS

*Net OPEB Liability /(Asset)*

The net OPEB liability /(Asset) reported on the statement of net position represents a liability/(asset) to employees for OPEB. OPEB is a component of exchange transactions – between an employer and its employees - of salaries and benefits for employee services. OPEB are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/(Asset) represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/(Asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Authority's obligation for this liability/(asset) to annually required payments. The Authority cannot control benefit terms or the manner in which OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB. GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/(asset). Resulting adjustments to the net OPEB liability/(asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability/(asset) on the accrual basis of accounting. Any liability for the contractually required OPEB contribution outstanding at the end of the fiscal year is included in accrued wages and payroll taxes on the accrual basis of accounting.

Plan Description – OPERS

The Ohio Public Employees Retirement System (OPERS) administers three separate 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 plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans.

## NOTE 8: POSTEMPLOYMENT BENEFITS - (CONTINUED)

This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021-2022, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar years 2021-2022. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. Authority's contractually required contribution allocated to health care was $0 for the fiscal year 2022.

OPEB Liabilities/(Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

**NOTE 8: POSTEMPLOYMENT BENEFITS - (CONTINUED)**

The net OPEB liability/(asset) and total OPEB liability/(asset) were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability/(asset) was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | **Health Care Plan** |
|---|---|
| Proportionate Share of Net OPEB Liability/(Asset) | $( 30,601) |
| | |
| Proportion of the Net OPEB Liability/(Asset) | |
| Prior Measurement Date | 0.000762% |
| Current Measurement Date | 0.000977% |
| | |
| Change in Proportion from Prior | 0.000215% |
| | |
| OPEB Expense (Revenue) | $( 14,726) |

On September 30, 2022, The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | | |
|---|---|---|
| Deferred Inflows of Resources | | |
| Net Difference between projected and actual earning on pension plan investments | $ | 14,588 |
| Assumption Changes | | 12,387 |
| Difference between expected and actual experience | | 4,642 |
| Change in proportionate share and difference between employer contribution and proportionate share of contribution | | 10,171 |
| Total Deferred Inflows of Resources | $ | 41,788 |

**NOTE 8: POSTEMPLOYMENT BENEFITS - (CONTINUED)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | Health Care Plan |
|---|---|
| Fiscal Year Ending September 30: | |
| 2023 | $ 27,070 |
| 2024 | 9,436 |
| 2025 | 3,188 |
| 2026 | 2,094 |
| Total | $ 41,788 |

**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| Actuarial Information | |
|---|---|
| Actuarial Valuation Date | December 31, 2020 |
| Rolled-Forward Measurement Date | December 31, 2021 |
| Experience Study | 5-Year Period Ended December 31, 2020 |
| Actuarial Cost Method | Individual entry age |
| Actuarial Assumptions | |
| Single Discount Rate | 6.00% |
| Investment Rate of Return | 6.00% |
| Municipal Bond Rate | 1.84% |
| Wage Inflation | 2.75% |
| Future Salary Increases, including inflation 2.75% | 2.75 - 10.75% |
| Health Care Cost Trend Rate | 5.5% initial, 3.5% ultimate in 2034 |

## NOTE 8: POSTEMPLOYMENT BENEFITS - (CONTINUED)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio.

The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 14.3 percent for 2021.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

**NOTE 8: POSTEMPLOYMENT BENEFITS - (CONTINUED)**

| Asset Class | Target Allocation as of December 31, 2021 | Weighted Average Long-Term Expected Real Rate of Return |
|---|---|---|
| Fixed Income | 34.00% | 0.91% |
| Domestic Equities | 25.00% | 3.78% |
| REITs | 7.00% | 3.71% |
| International Equities | 25.00% | 4.88% |
| Risk Parity | 2.00% | 2.92% |
| Other Investments | 7.00% | 1.93% |
| Total | 100.00% | 3.45% |

***Discount Rate*** A single discount rate of 6.00 percent was used to measure the OPEB liability/(asset) on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2121, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability/(Asset) to Changes in the Discount Rate:*** The following table presents the Authority's proportionate share of the net OPEB liability/(asset) calculated using the single discount rate of 6.00 percent, as well as what the Authority's proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (6.00 percent) than the current rate:

| | **1% Decrease (5.00%)** | **Single Discount Rate (6.00%)** | **1% Increase (7.00%)** |
|---|---|---|---|
| Authority's proportionate share of the net OPEB liability/(asset) | $(17,996) | $(30,601) | $(41,063) |

## NOTE 8: POSTEMPLOYMENT BENEFITS - (CONTINUED)

*Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability/(Asset) to Changes in the Health Care Cost Trend Rate* Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability/(Asset). The following table presents the net OPEB liability/(Asset) calculated using the assumed trend rates, and the expected net OPEB liability/(asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.5 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A /more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

| | 1% Decrease | Current Health Care Cost Trend Rate Assumption | 1% Increase |
|---|---|---|---|
| Authority's proportionate share of the net OPEB liability/(asset) | $(30,932) | $(30,601) | $(30,209) |

## NOTE 9: 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. Employees are not paid out accumulated sick leave upon retirement. As of September 30, 2022, the accrual for compensated absences totaled $7,017 and has been included in the accompanying Statement of Net Position.

## NOTE 10: LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt and compensated absence for the fiscal year ended September 30, 2022:

| | Balance at 10/1/2021 | Additions | Deletions | Balance at 9/30/2022 | Due in One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 7,151 | $ 17,079 | $ (17,213) | $ 7,017 | $ 5,944 |
| Net Pension Liability | 121,128 | | (29,774) | 91,354 | |
| Promissory Note - OHFA | 580,000 | | | 580,000 | |
| Total | $ 708,279 | $ 17,079 | $ (46,987) | $ 678,371 | $ 5,944 |

**NOTE 10: LONG-TERM LIABILITIES - (CONTINUED)**

On February 2, 2011, the Authority entered into a promissory note with the Ohio Housing Finance Agency (OHFA) in the amount of $580,000 to build 4-unit apartment building (known as South Oak Place). The project was complete as of September 30, 2013. The note accrues interest at a rate of two percent per annum. The note shall become due if the Authority ceases to use the South Oak Place for low-income housing, as detailed in the agreement; as of September 30, 2022, the Authority continues to use the property to provide low-income housing, therefore the events have not occurred or are anticipated to occur which would result in repayment of the note. Therefore, no amortization schedules are provided.

**NOTE 11: 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, 2022.

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

**NOTE 12: LEASES**

GASB Statement No. 87, *Leases* (GASB 87), is a comprehensive change by the governmental accounting standards board for lease arrangements. Previous GASB lease guidance, including GASB 13 and GASB 62, did not require all leases to be recognized on the statement of financial position. Instead, only those classified as capital leases were recognized and disclosed as assets and liabilities in the financial statements.

To improve the consistency and transparency of accounting and financial reporting for leases by governments, GASB 87 requires lessees to recognize an intangible right-to-use asset and liability for leases that were previously classified as operating leases and establishes a single classification model for leases going forward.

GASB 87 requires lessees to recognize a lease asset associated with their lease agreements. Therefore, one of the newly required quantitative disclosures is to disclose the total amount of lease assets and the related accumulated amortization, summarized by the major classifications of the underlying assets:

**NOTE 12: LEASES -** (CONTINUED)

| Lease Description | Role | Lease Type | Classification | Net Asset Balance | Accumulated Amortization | Gross Asset Balance |
|---|---|---|---|---|---|---|
| Copier IMC2500 | Lessee | Operating | Copier | $6,016 | $1,681 | $7,697 |

The table below report projects the undiscounted cash flows to be made in the future:

| Fiscal Year Ending | Principle | Interest | Total |
|---|---|---|---|
| September 30, 2023 | $ 1,607 | $ 109 | $ 1,716 |
| September 30, 2024 | 1,536 | 180 | 1,716 |
| September 30, 2025 | 1,469 | 247 | 1,716 |
| September 30, 2026 | 1,404 | 312 | 1,716 |
| Total | $ 6,016 | $ 848 | $ 6,864 |

**NOTE 13: COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuring emergency measures will impact subsequent periods of the Authority. The investments of the pension and other employee benefit plan in which the Authority participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

# LONDON METROPOLITAN HOUSING AUTHORITY
# MADISON COUNTY
# REQUIRED SUPPLEMENTARY INFORMATION
# SCHEDULE OF THE AUTHORITY
# PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
# LAST FISCAL YEARS AVAILABLE

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Authority's Proportion of the Net Pension Liability | 0.00105% | 0.00818% | 0.00931% | 0.00872% | 0.00916% | 0.00975% | 0.01052% | 0.001039% | 0.001039% |
| Authority's Proportionate Share of the Net Pension Liability | $ 91,354 | $ 121,128 | $ 184,018 | $ 238,823 | $ 143,703 | $ 221,405 | $ 182,219 | $ 125,315 | $ 122,485 |
| Authority's Covered Employee Payroll | $ 152,331 | $ 113,562 | $ 131,003 | $ 117,715 | $ 121,029 | $ 124,871 | $ 130,875 | $ 131,708 | $ 130,360 |
| Authority's Proportionate Share of the Net Pension Liability as a percentage of its covered employee payroll | 59.97% | 106.66% | 140.47% | 202.88% | 118.73% | 177.31% | 139.23% | 95.15% | 93.96% |
| Plan Fiduciary Net Position as a percentage of the total Pension Liability | 92.62% | 86.88% | 82.17% | 74.70% | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |

1) The amount presented for each fiscal year were determined as of the calendar year-end occurring within the fiscal year.

2) Information prior to 2014 is not available. This schedule is intended to show ten years of information, additional years will be displayed as it become available.

See notes to the Required Supplementary Information.

# LONDON METROPOLITAN HOUSING AUTHORITY
# MADISON COUNTY
# REQUIRED SUPPLEMENTARY INFORMATION
# SCHEDULE OF THE AUTHORITY
# PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSETS)
# FOR THE FISCAL YEAR AVAILABLE

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Authority's Proportion of the Net OPEB Liability | 0.000977% | 0.007620% | 0.000867% | 0.000812% | 0.000850% | 0.091000% |
| Authority's Proportionate Share of the Net OPEB Liability | $ (30,601) | $ (13,576) | $ 119,755 | $ 105,866 | $ 92,304 | $ 85,853 |
| Authority's Covered Employee Payroll | $ 152,331 | $ 113,562 | $ 131,003 | $ 117,715 | $ 121,029 | $ 124,871 |
| Authority's Proportionate Share of the Net OPEB Liability as a percentage of its covered employee payroll | -20.09% | -11.95% | 91.41% | 89.93% | 76.27% | 68.75% |
| Plan Fiduciary Net Position as a percentage of the total Pension Liability | 128.23% | 115.57% | 47.80% | 43.33% | 54.14% | 68.52% |

1) The amount presented for each fiscal year were determined as of the calendar year-end occurring within the fiscal year.

2) Information prior to 2017 is not available.  This schedule is intended to show ten years of information, additional years will be displayed as it become available.

See notes to the Required Supplementary Information.

# LONDON METROPOLITAN HOUSING AUTHORITY
# MADISON COUNTY
# REQUIRED SUPPLEMENTARY INFORMATION
# SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - PENSION
# LAST TEN YEARS

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required employer contribution | | | | | | | | | | |
| Pension | $ 22,133 | $ 20,249 | $ 15,804 | $ 17,751 | $ 16,013 | $15,931 | $15,705 | $15,805 | $ 16,295 | $14,015 |
| Contributions in relation to the contractually required contribution | $ (22,133) | $(20,249) | $(15,804) | $(17,751) | $(16,013) | $(15,931) | $(15,705) | $(15,805) | $(16,295) | $(14,015) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Authority covered-employee payroll | $ 158,095 | $144,636 | $112,886 | $126,792 | $116,263 | $124,871 | $130,171 | $131,871 | $130,360 | $121,976 |
| Contribution as a percentage of covered-employee payroll | | | | | | | | | | |
| Pension | 14.00% | 14.00% | 13.48% | 13.48% | 13.48% | 12.52% | 12.00% | 12.00% | 13.00% | 10.00% |

See notes to the Required Supplementary Information.

# LONDON METROPOLITAN HOUSING AUTHORITY
# MADISON COUNTY
# REQUIRED SUPPLEMENTARY INFORMATION
# SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - OPEB
# LAST TEN YEARS

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required employer contribution | | | | | | | | | | |
| OPEB | $ - | $ - | $ - | $ - | $ 264 | $ 1,551 | $ 2,519 | $ 2,517 | $ 1,955 | $ 3,062 |
| Contributions in relation to the | | | | | | | | | | |
| contractually required contribution | $ - | $ - | $ - | $ - | $ (264) | $ (1,551) | $(2,519) | $(2,517) | $ (1,955) | $(3,062) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Authority covered-employee payroll | $ 158,095 | $144,636 | $112,886 | $126,792 | $116,263 | $124,871 | $130,171 | $131,871 | $130,360 | $121,976 |
| Contribution as a percentage of | | | | | | | | | | |
| covered-employee payroll | | | | | | | | | | |
| OPEB | 0.00% | 0.00% | 0.00% | 0.00% | 0.23% | 1.24% | 1.94% | 1.92% | 1.50% | 2.51% |

See notes to the Required Supplementary Information.

**Ohio Public Employees' Retirement System**

**Net Pension Liability**
*Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2022.*

*Changes in assumptions*: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2022 to 0.50% simple through 2021, then 2.15% simple.

**Net OPEB liability/asset**

*Changes in benefit terms*: There were no changes in benefit terms from the amounts reported for 2018-2022.

*Changes in assumptions*: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035.

London Metropolitan Housing Authority
Statement of Net Position
September 30, 2022

Financial Data Schedule Submitted to U.S. Department of HUD

| Line item | Account Description | Housing Choice Voucher | Business Activities | Total |
|---|---|---|---|---|
| 111 | Cash - Unrestricted | $ 607,579 | $ 208,303 | $ 815,882 |
| 114 | Cash - Tenant Security Deposits | 21,366 | 1,740 | 23,106 |
| 100 | Total Cash | 628,945 | 210,043 | 838,988 |
| 126 | Accounts Receivable - Tenants | 4,514 | | 4,514 |
| 126.1 | Allow Doubtful Accounts - Tenants | (945) | | (945) |
| 120 | Net Total Receivables | 3,569 | | 3,569 |
| 142 | Prepaid Expenses | 8,001 | 118 | 8,119 |
| **150** | **Total Current Assets** | 640,515 | 210,161 | 850,676 |
| 161 | Land | 340,739 | 68,209 | 408,948 |
| 162 | Buildings | 1,184,678 | 582,314 | 1,766,992 |
| 163 | Furniture, Equipment & Machinery - Dwellings | 50,988 | | 50,988 |
| 164 | Furniture, Equipment & Machinery - Admin. | 141,050 | | 141,050 |
| 165 | Lease Improvements | 2,598,890 | | 2,598,890 |
| 166 | Accum Depreciation | (2,673,019) | (145,579) | (2,818,598) |
| 160 | Net Fixed Assets | 1,643,326 | 504,944 | 2,148,270 |
| 174 | Other Assets | 30,601 | | 30,601 |
| 180 | Total Non-Current Assets | 1,673,927 | 504,944 | 2,178,871 |
| 200 | Deferred Outflow of Resources | 56,530 | - | 56,530 |
| **290** | Total Assets and Deferred Outflow of Resources | **$ 2,370,972** | **$ 715,105** | **$ 3,086,077** |
| 312 | A/P <= 90 days | $ 19,711 | $ | $ 19,711 |
| 321 | Accrued Wage/Payroll Taxes Payable | 9,077 | | 9,077 |
| 322 | Accrued Comp Abs – current | 5,944 | | 5,944 |
| 333 | Accounts Payable - Other Government | 18,312 | | 18,312 |
| 341 | Tenant Security Deposits | 21,366 | 1,740 | 23,106 |
| 342 | Unearned Revenue | 6,773 | | 6,773 |
| 345 | Other Current Liabilities | 33 | | 33 |
| 342 | Unearned Revenue | 19,514 | | 19,514 |
| 310 | Total Current Liabilities | 100,730 | 1,740 | 102,470 |
| 351 | Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | - | 580,000 | 580,000 |
| 353 | Non-current Liabilities – Other | 6,016 | | 6,016 |
| 354 | Accrued Comp Abs. – Noncurrent | 1,073 | | 1,073 |
| 357 | Accrued Pension and OpEB Liabilities | 91,354 | | 91,354 |
| | Total Liabilities | 199,173 | 581,740 | 780,913 |
| 400 | Deferred Inflow of Resources | 157,747 | | 157,747 |
| 508.1 | Invested in Capital Assets Net | 1,643,326 | (75,056) | 1,568,270 |
| 512.1 | Unrestricted Net Position | 370,726 | 208,421 | 579,147 |
| 513 | Total Equity/Net Position | 2,014,052 | 133,365 | 2,147,417 |
| **600** | Total Liab., Deferred Inflows of Resources and Equity | **$ 2,370,972** | **$ 715,105** | **$ 3,086,077** |

See Auditor's Report.

London Metropolitan Housing Authority
Statement of Revenue and Expenses
September 30, 2022

Financial Data Schedule Submitted to U.S. Department of HUD

| Line item | Account Description | Housing Choice Voucher | Business Activities | Total |
|---|---|---|---|---|
| 70300 | Net Tenant Rental Revenue | $ 289,499 | $ 20,665 | $ 310,164 |
| 70600 | HUD PHA Operating Grants | 344,128 | | 344,128 |
| 70610 | Capital Grants | 164,978 | | 164,978 |
| 711 | Investment Income – PHA | 28 | | 28 |
| 715 | Other Revenue | 11,863 | 541 | 12,404 |
| 700 | TOTAL REVENUE | 810,496 | 21,206 | 831,702 |
| 911 | Admin. Salaries | 63,053 | | 63,053 |
| 912 | Audit | 6,273 | | 6,273 |
| 915 | Employee Benefits | 28,771 | | 28,771 |
| 916 | Office Expenses | 12,059 | | 12,059 |
| 917 | Legal | 646 | | 646 |
| 919 | Other | 95,376 | 1,000 | 96,376 |
| | Total Operating - Admin. | 206,178 | 1,000 | 207,178 |
| 931 | Water | 26,475 | 36 | 26,511 |
| 932 | Electricity | 16,761 | 575 | 17,336 |
| 933 | Gas | 40,973 | | 40,973 |
| 936 | Sewer | 19,554 | 22 | 19,576 |
| 930 | Total Utilities | 103,763 | 633 | 104,396 |
| 941 | Ordinary Maint. and Operations - Labor | 80,220 | 500 | 80,720 |
| 942 | Ordinary Maint. and Operations - Materials and Other | 17,620 | | 17,620 |
| 943 | Ordinary Maint. and Operations Contracts | 120,866 | 85 | 120,951 |
| 945 | Employee Benefit Contributions - Ordinary Maint. | 36,833 | | 36,833 |
| | Total Maint. | 255,539 | 585 | 256,124 |
| 961.2 | Property Insurance | 12,677 | 481 | 13,158 |
| 961.2 | Liability Insurance | 8,183 | | 8,183 |
| | Total Insurance Premiums | 20,860 | 481 | 21,341 |
| 962.1 | Compensated Absences | 17,079 | | 17,079 |
| 963 | Payments in Lieu of Taxes | 18,312 | | 18,312 |
| 964 | Bad Debt - Tenant Rents | 4,076 | | 4,076 |
| | Total Other General Expenses | 39,467 | - | 39,467 |
| | TOTAL OPERATING EXPENSES | 625,807 | 2,699 | 628,506 |
| 970 | Excess Oper. Rev. over Exp. | 184,689 | 18,507 | 203,196 |
| 974 | Depreciation Exp | 132,569 | 14,558 | 147,127 |
| 900 | TOTAL EXPENSES | 758,376 | 17,257 | 775,633 |
| 1000 | NET INCOME (LOSS) | $ 52,120 | $ 3,949 | $ 56,069 |

See Auditor's Report.

Financial Data Schedule Submitted to U.S. Department of HUD

| Line item | Account Description | Housing Choice Vouchers | Business Activities |
|---|---|---|---|
| 11030 | Beginning Equity | $ 1,961,932 | $ 129,416 |
| 11190 | Unit Months Available | 1200 | 48 |
| 11210 | Number of Unit Months Leased | 1178 | 46 |

See Auditor's Report.

Kevin L. Penn, Inc.

Certified Public Accountant
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

**London Metropolitan Housing Authority**
Madison County
179 South Main Street
London, Ohio 43140

To the Board of Trustees

I have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the London Metropolitan Housing Authority, Madison County, (the Authority) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated March 28, 2023.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

Kevin L. Penn, Inc.
Cleveland, Ohio

March 28, 2023

OHIO AUDITOR OF STATE
KEITH FABER

**LONDON METROPOLITAN HOUSING AUTHORITY**

**MADISON COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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

**Certified for Release 5/11/2023**

88 East Broad Street, Columbus, Ohio 43215
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