

# **LONDON METROPOLITAN HOUSING AUTHORITY**

**REPORT ON EXAMINATION OF  
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA  
TOGETHER WITH AUDITOR'S REPORTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2000**

**HOUZEconsultingLLC**  
CERTIFIED PUBLIC ACCOUNTANTS





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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Board of Commissioners  
Executive Director  
London Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of London Metropolitan Housing Authority, Madison County, prepared by Houze Consulting LLC, for the audit period October 1, 1999 to September 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

**JIM PETRO**  
Auditor of State

November 8, 2001

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# LONDON METROPOLITAN HOUSING AUTHORITY

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Executive Director  
**LONDON METROPOLITAN HOUSING AUTHORITY**

Regional Inspector General or Audit  
Department of Housing & Urban Development  
Chicago, Illinois

For the year ended: September 30, 2000  
Date of our report: May 14, 2001

We have audited the accompanying balance sheet of London Metropolitan Housing Authority, HUD project OH 23-1, as of the date first noted above, and related statements of income and expense, cash flow, and changes in funding surplus for the year then ended. These financial statements are the responsibility of the Housing Authority's management; our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Housing Authority as of the date first noted above, the results of its operations, and cash flow for the year then ended, on the basis of generally accepted accounting principles.

The accompanying financial information listed as supporting information in the table of contents is presented for purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied to the audit of the general purpose financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

HOUZEconsultingLLC  
CERTIFIED PUBLIC ACCOUNTANTS  
EIN 31-1452643

Armand L. Houze [lead accountant]

LONDON METROPOLITAN HOUSING AUTHORITY  
HUD PROJECT NUMBER OH 23-1

BALANCE SHEET

SEPTEMBER 30, 2000

Assets

Current assets		
Cash in bank	\$ 41,722	
Cash on hand	<u>225</u>	
		\$ 41,947
Receivables		
Accounts receivable from tenants	2,889	
Other receivables	153	
Accounts receivable from government	2,680	
Accrued interest receivable	100	
Reserve for uncollectibles	<u>(260)</u>	
		5,562
Cash investments		20,000
Prepayments		<u>7,058</u>
Total current assets		74,567
Funded deposits held in trust		7,796
Land, building & equipment [Note5]		<u>1,728,015</u>
		<u>\$ 1,810,378</u>

Liabilities & equity

Current liabilities		
Accounts & other payables	\$ 12,151	
Accrued expenses	36,196	
Security deposits	<u>7,268</u>	
Total current liabilities		\$ 55,615
Total liabilities		<u>55,615</u>
Equity		
Contributed capital, beginning of year	\$ 3,668,488	
HUD operating grant	60,440	
HUD improvement grants	225,016	
Adjustment to GAAP	<u>(50,639)</u>	
Contributed capital, end of year	3,903,305	
Retained earnings	<u>(2,148,542)</u>	
Total equity		<u>1,754,763</u>
Total liabilities & equity		<u>\$ 1,810,378</u>

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

LONDON METROPOLITAN HOUSING AUTHORITY  
HUD PROJECT NUMBER OH 23-1

STATEMENT OF INCOME AND EXPENSES and CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2000

STATEMENT OF INCOME AND EXPENSES

Operating income		
Dwelling rental	\$ 244,139	
Interest income	2,143	
	<u>4,297</u>	
		<u>250,579</u>
Administrative expenses		
Administrative salaries	74,735	
Employee benefits	50,172	
Travel expenses	2,033	
Advertising	35	
Legal expenses	2,466	
Audit	3,097	
Accounting & processing services	7,200	
Telephone	3,026	
Office expenses & related other costs	5,865	
Computer contract	906	
Collection costs & losses	9,335	
Tenat services	<u>420</u>	
Total administrative expenses		159,290
Utility expenses		
Electricity	10,433	
Water	19,744	
Gas	33,958	
Cable	<u>414</u>	
Total utility expenses		<u>64,549</u>
Total expenses [to following page]		<u>223,839</u>

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

LONDON METROPOLITAN HOUSING AUTHORITY  
HUD PROJECT NUMBER OH 23-1

STATEMENT OF INCOME AND EXPENSES and CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2000

STATEMENT OF INCOME AND EXPENSES

Total expenses [to following page]		\$ <u>223,839</u>
Operating & maintenance expenses		
Maintenance labor	\$ 42,915	
Maintenance materials	9,491	
Maintenance contract costs	7,528	
Exterminating	2,700	
Plumbing contract	10,389	
Sanitation contract	15,744	
Other contracts	2,458	
Tenant maintenance charges	(109)	
CIAP operations cost	(6,157)	
Insurance proceeds	<u>(9,758)</u>	
Total operating & maintenance expenses		75,201
Insurance & other payments		
Property & liability insurance	14,094	
Payments in lieu of taxes [Note 7]	<u>18,000</u>	
Total insurance & other payments		32,094
Total operating expenses		331,134
Net operating income		(80,555)
Non-operating		
Depreciation		<u>134,199</u>
Net income (loss)		(214,754)

STATEMENT OF CHANGES IN EQUITY

Retained earnings, beginning of year	(1,933,788)
Retained earnings, end of year	\$ <u>(2,148,542)</u>

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

LONDON METROPOLITAN HOUSING AUTHORITY  
HUD PROJECT NUMBER OH 23-1

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED SEPTEMBER 30, 2000

Cash flow from operations	
Net income (loss)	\$ (214,754)
Depreciation	<u>134,199</u>
	(80,555)
Decrease (increase)	
Accounts receivable	3,879
Other receivables	5,591
Accrued interest receivable	(25)
Prepayments	998
Increase (decrease)	
Accounts & other payables	770
Accrued expenses	1,913
Tenant security deposits	<u>(76)</u>
Total operating cash flow (deficit)	<u>(67,505)</u>
Cash flow from investing activities	
Decrease (increase)	
Funded deposit held in trust	(154)
Capital assets acquisitions [Note 5]	(126,220)
Capital asset disposals	<u>0</u>
Total investing cash flow (deficit)	<u>(126,374)</u>
Cash flow from financing activities	
Equity capital contributions [Note 2]	<u>185,445</u>
Total financing cash flow (deficit)	<u>185,445</u>
Cash flow (deficit)	(8,434)
Cash and cash equivalents, beginning of year	<u>50,381</u>
Cash and cash equivalents, end of year	\$ <u><u>41,947</u></u>

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

# LONDON METROPOLITAN HOUSING AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2000

### Note 1 ORGANIZATION

The LONDON METROPOLITAN HOUSING AUTHORITY [LMHA] was formed as a political subdivision on November 16, 1961 under the laws of the state of Ohio, the Ohio Revised Code section 3735.27. LMHA contracts with the United States Department of Urban Development [HUD] to provide low income persons with safe and sanitary housing through rent subsidies provided by HUD.

The Authority is directed by an executive director who manages day-to-day operations, and a five [5] member board of commissioners who regularly meet monthly to maintain oversight control and to ratify high-level policy decisions.

LMHA owns, leases and maintains one hundred [100] residential living units, consisting of eight [8] single-family and ninety two [92] multi-family units, all operated as one [1] HUD-subsidized project located on scattered sites in the city of London, Ohio.

### Note 2 SIGNIFICANT ACCOUNTING POLICIES

LMHA reports on the accrual basis of accounting and consistent with the requirements of HUD.

The Authority maintains its accounts on the basis of a proprietary fund that comprises its assets, liabilities, fund surplus, revenues, and expenditures and since October 01, 1998, renders its annual financial statements in conformity with generally accepted accounting principles [GAAP].

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

The Authority, under the direction of its executive director and its board of commissioners, adopts a budget near the beginning of each fiscal year.

# LONDON METROPOLITAN HOUSING AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2000

### Note 3 DEPOSITORY ACCOUNTS & INVESTMENTS

The Authority's demand deposit accounts as well as a certificate of deposit, are maintained in Ohio financial institutions that are each insured by federal depository [FDIC] insurance. All such funds and investments are subject to withdrawal under dual signatures of each of the executive director and any other one [1] of the board commissioners.

Huntington National Bank demand deposits	\$41,722
Huntington National Bank demand deposits	7,796
Citizens Savings & Loan certificate of deposit	20,000

The Authority considers its demand deposits as well as all highly liquid investments purchased with an original maturity of three months or less, to be cash and cash equivalents.

The conventional certificate of deposit is valued at cost in the financial statements.

Investments are subject to restrictions both by the Ohio Revised Code and by HUD as to permitted securities and operating procedures, as well as by the Authority's own investment policy.

### Note 4 CONTINGENT DEBT OBLIGATIONS

Serial bonds of \$315,000 issued to fund the initial construction project and guaranteed by HUD in the original amount of \$1,505,000 dated September 01, 1964, issued at an interest rate of 3 5/8% under project OH-23-1, remain outstanding at the end of the fiscal year. The bond indenture requires that HUD provide funding directly to the fiscal agent for the sinking fund from which bondholders are paid both principal and interest. During the sinking fund year ended, the fiscal agent retired bonds totaling \$60,000 along with payment of accrued interest on the outstanding balance.

# LONDON METROPOLITAN HOUSING AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2000

### Note 5 CAPITAL ASSETS

Land, buildings, improvements, and equipment in excess of nominal values, is capitalized by the Authority and is stated in the financial statements at original cost.

Land & improvements	\$340,739
Buildings & improvements	3,035,509
Equipment & furnishings	<u>161,583</u>
	\$3,537,831

Depreciation is provided at straight-line rates over estimated useful lives of seven [7] to forty [40] years, accumulating at year-end to \$1,809,816.

### Note 6 EMPLOYEE BENEFIT PLANS

Employment with the political subdivision affords eligible employees with coverage under the Public Employees Retirement System [PERS], wherein contributions are made from the gross pay of covered employees as well as a percentage of gross payroll contributed from LMHA. During the fiscal year ended, the rates were 8.5% and 13.55%, respectively; the Authority's cost during the fiscal year amounted to \$14,286. PERS is a cost-sharing multiple-employer retirement plan, for which financial disclosures about the plan are specifically exempted from reporting requirements.

Vacation and sick leave is earned by employees at varying rates each year, based upon years of service of each respective employee; certain portions of such leave may be accrued if not taken currently each year, but none of which may be paid the employee except upon permanent termination, provided the employee is not dismissed for cause. The cost of the physically monitored benefit is accrued in the financial statements.

# LONDON METROPOLITAN HOUSING AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2000

### Note 7 TAXES

Because LMHA is a political subdivision established under the laws of the state of Ohio, no provision is made in the financial statements for property taxes or for federal, state and local income tax.

### Note 8 UTILITY ALLOWANCES

A March 22, 2001 report of the Inspector General of the U.S. Department of Housing & Urban Development [HUD], had indicated that in view of a failure of the Authority to review utility costs over a period of eight [8] years and its impact on rents, tenants may have been overcharged an amount approximating nearly \$196,000 in rent and if efforts were made to reimburse tenants, then no financial assistance should be available from HUD for that purpose. Management however maintains that the value represented as the estimate is substantially overstated by nearly over 250%, as supported by a subsequently secured independent study.

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

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

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LONDON METROPOLITAN HOUSING AUTHORITY

PROJECT NUMBER: OH 23-1

COMPUTATION OF RESIDUAL RECEIPTS

September 30, 2000

**Operating receipts**

Operating income	\$ 250,579	
HUD operating subsidy	<u>60,440</u>	
Total operating receipts		\$311,019

**Operating expenditures**

Operating expenses	331,132	
Capital expenditures	<u>(52)</u>	
Total operating expenditures		<u>331,080</u>
		(20,061)
Prior year adjustments (decrease) increase to residual receipts		<u>1,614</u>
Residual receipts before operating reserve		(18,447)
Provision for (reduction of) operating reserve		<u>(18,447)</u>
Residual receipts	\$	<u><u>0</u></u>

LONDON METROPOLITAN HOUSING AUTHORITY

PROJECT NUMBER: OH 23-1

ANALYSIS OF GENERAL FUND CASH BALANCE

September 30, 2000

**Composition before adjustments**

Net operating receipts retained:

Operating reserves	\$	40,206
Tenant security deposits		7,268
Deferred rent credits		0
Modernization funding in excess of costs		<u>52</u>

\$47,526

**Adjustments**

Expenses/costs accrued not yet paid

Accounts payable		12,151
Accrued liabilities		36,196
Funded security deposits held in trust		(7,796)
Other		<u>(13,250)</u>

27,301

Income not yet received

Tenant accounts receivable		2,889
HUD		2,680
Other receivables		153
Accrued interest receivable		<u>100</u>

(5,822)

General fund cash available

69,005

Investments

(20,000)

Applied to prepayments and deferred charges

(7,058)

General fund cash

\$ 41,947

LONDON METROPOLITAN HOUSING AUTHORITY

PROJECT NUMBER: OH 23-1

ANALYSIS OF FUNDING SURPLUS

September 30, 2000

**Unreserved surplus (deficit)**

Balance, beginning of year	\$ (1,992,441)	
Prior years' adjustment for GAAP	0	
Net income (loss)	(214,754)	
Reduction of /(provision for) operating reserve	<u>18,447</u>	
Balance, end of year		(\$2,188,748)

**Operating reserve**

Balance, beginning of year	58,653	
Provision for (reduction of) operating reserve	<u>(18,447)</u>	
Balance, end of year		40,206

**Cumulative HUD contributions**

Balance, beginning of year	1,446,547	
Adjustment for GAAP	(50,639)	
Operating subsidy	<u>60,440</u>	
Balance, end of year		1,456,348

**Cumulative HUD grants**

Balance, beginning of year	2,221,941	
CIAP advances	<u>225,016</u>	
Balance, end of year		<u>2,446,957</u>

**Funding surplus** \$ 1,754,763

LONDON METROPOLITAN HOUSING AUTHORITY

PROJECT NUMBER: OH 23-1

SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS (Supplemental Note 1)

September 30, 2000

Federal grantor Program title	Federal CFDA number	Expenditures
U.S. Department of Housing and Urban Development		
Operating grant	14.218	60,440
Comprehensive Improvement Assistance Program Modernization grant OH16 PO23-908	14.852 908	4,439
Comprehensive Improvement Assistance Program Modernization grant OH16 PO23-909	14.852 909	117,058
Comprehensive Improvement Assistance Program Modernization grant OH16 PO23-910	14.852 910	66,600
Drug Free Grant		36,866
TOTAL FEDERAL ASSISTANCE EXPENDED		<u>\$285,403</u>

Supplemental

**Note 1** Federal grant activity is presented on the accrual basis of accounting and in accordance with OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore some of the amounts presented in this schedule may differ from that used in preparation of the general purpose financial statements.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTS AUDITING STANDARDS

Board of Commissioners  
Executive Director  
**LONDON METROPOLITAN HOUSING AUTHORITY**

Regional Inspector General for Audit  
Department of Housing & Urban Development  
Chicago, Illinois

For the year ended: September 30, 2000  
Date of our report: May 14, 2001

We have audited the financial statements of The London Metropolitan Housing Authority, for the year ended that is first noted above, and have issued our report thereon, dated as noted above. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### Compliance

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

### Internal Control Over Financial Reporting

In planning and performing our audit for year ended, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a

timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is for the information of the Board of Commissioners, the Executive Director, Auditor of State of Ohio, and HUD, and is not intended to be and should not be used by anyone other than these specified parties.

**HOUZEconsultingLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

# LONDON METROPOLITAN HOUSING AUTHORITY

September 30, 2000

## GENERAL COMMENTS

Board of Commissioners  
Executive Director  
LONDON METROPOLITAN HOUSING AUTHORITY

Regional Inspector General for Audit  
Department of Housing & Urban Development  
Chicago, Illinois

### Previous audit findings

There were no findings resulting from the prior year audit that required resolution and disclosure to HUD.

### Public Housing Authority activities

The Housing Authority owns and operates one hundred [100] units

### In management

One hundred [100] owned housing: Project OH 23-1

### Adjusting journal entries

Detail listing thereof, if any, included herein on the following pages [*no audit adjustments required*]



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**LONDON METROPOLITAN HOUSING AUTHORITY**

**MADISON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 15, 2001**