

**LONDON METROPOLITAN HOUSING AUTHORITY  
LONDON, OHIO**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR  
SEPTEMBER 30, 2006**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the London Metropolitan Housing Authority, Madison County, prepared by Manning & Associates CPAs, LLC for the audit period October 1, 2005 through September 30, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 1, 2007

**This Page is Intentionally Left Blank.**

LONDON METROPOLITAN HOUSING AUTHORITY  
LONDON, OHIO

AUDIT REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis	4-10
Basic Financial Statements:	
Statement of Net Assets	11
Statement of Revenues and Expenses and Changes in Net Assets	12
Statement of Cash Flows	13
Notes to Basic Financial Statements	14-22
Supplemental Data:	
Financial Data Schedule – Balance Sheet	23
Financial Data Schedule – Statement of Revenue, Expenses Changes in Net Assets	24
Schedule of Expenditures of Federal Awards	25
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance With OMB Circular A-133	27
Summary of Auditors Results	28
Schedule of Findings and Questioned Costs	29-30

**This Page is Intentionally Left Blank.**

## INDEPENDENT AUDITORS' REPORT

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

Regional Inspector General of Audit  
Department of Housing & Urban Development

We have audited the accompanying basic financial statements of the London Metropolitan Housing Authority as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of London Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the London Metropolitan Housing Authority as of September 30, 2006, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2007 on our consideration of the London Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the London Metropolitan Housing Authority. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. The combining financial data schedule ("FDS") and cost certifications are presented

for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Manning & Associates CPAs, LLC  
Dayton, Ohio

March 29, 2007



This page is intentionally left blank.

**LONDON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2006**

**Unaudited**

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

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

**FINANCIAL HIGHLIGHTS**

- Net assets were \$1,789,932 and \$1,616,911 for fiscal year ending September 30, 2006 and 2005, respectively. The Authority-wide statements reflect an increase of \$173,021 during 2006. This increase is reflective of the year's activities.
- The business-type activity revenue increased by \$133,494 during 2006, and was \$774,156 and \$640,662 for 2006 and 2005, respectively.
- The total expenses of all Authority programs decreased by \$21,567. Total expenses were \$601,135 and \$622,702 for 2006 and 2005, respectively.

**USING THIS ANNUAL REPORT**

The following graphic outlines the format of this report:

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

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

**LONDON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2006**

**Unaudited**

**Authority-Wide Financial Statements**

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

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

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

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

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

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

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

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

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

**Fund Financial Statements**

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

**LONDON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2006**

**Unaudited**

**Business Type Funds:**

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

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

**AUTHORITY-WIDE STATEMENT**

**Statement of Net Assets**

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

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

	<b><u>2006</u></b>	<b><u>2005</u></b>
Current and Other Assets	\$ 195,640	\$ 165,968
Capital Assets	1,666,515	1,531,122
Total Assets	<u>\$ 1,862,155</u>	<u>\$ 1,697,090</u>
Current Liabilities	\$ 64,460	\$ 61,690
Long-Term Liabilities	<u>7,763</u>	<u>18,489</u>
Total Liabilities	<u>72,223</u>	<u>80,179</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	1,653,286	1,512,345
Unrestricted Net Assets	<u>136,646</u>	<u>104,566</u>
Total Net Assets	<u>1,789,932</u>	<u>1,616,911</u>
Total Liabilities and Net Assets	<u>\$ 1,862,155</u>	<u>\$ 1,697,090</u>

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

**LONDON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2006**

**Unaudited**

**Major Factors Affecting the Statement of Net Assets**

During 2006 current assets increased by \$29,672 and total liabilities decreased by \$7,956. The increase in the current asset is accounted for in the cash balance on hand of \$165,900 which represent an increase of \$53,516 due to result from operation. The decrease in total liability is due to the retirement of debt in current year of \$5,548.

Capital assets net change between 2006 and 2005 was \$135,393. This is reflected by the current year capital improvements less depreciation expense. See table 5 for detail of current additions.

**Table 2 - Changes of Unrestricted Net Assets**

Beginning Balance - September 30, 2006	\$ 104,566
Results of Operation	173,021
Adjustments:	
Current year Depreciation Expense (1)	151,003
Net Assets used for Capital Expenditure (2)	(286,396)
Retirement of Debt	<u>(5,548)</u>
Ending Balance - September 30, 2006	<u><u>\$ 136,646</u></u>

**Table 2a - Changes in Investment in Fixed Assets**

Beginning Balance - September 30, 2006	\$ 1,512,345
Results of Operation	-
Adjustments:	
Current year Depreciation Expense (1)	(151,003)
Net Assets used for Capital Expenditure (2)	286,396
Retirement of Debt	<u>5,548</u>
Ending Balance - September 30, 2006	<u><u>\$ 1,653,286</u></u>

**Statement of Revenue, Expenses and Change in Net Assets**

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

**LONDON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2006**

**Unaudited**

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

	<u><b>2006</b></u>	<u><b>2005</b></u>
<b><u>Revenues</u></b>		
Total Tenant Revenues	\$ 186,212	\$ 194,713
Operating Subsidies	300,698	293,874
Capital Grants	280,611	146,769
Investment Income	1,377	891
Other Revenues	5,258	4,415
	<u>774,156</u>	<u>640,662</u>
<b>Total Revenues</b>	<b><u>774,156</u></b>	<b><u>640,662</u></b>
 <b><u>Expenses</u></b>		
Administrative	147,511	124,741
Utilities	140,537	113,290
Tenant Services	500	200
Maintenance	130,187	173,534
General and Interest Expenses	31,397	51,784
Depreciation	151,003	159,153
	<u>601,135</u>	<u>622,702</u>
<b>Total Expenses</b>	<b><u>601,135</u></b>	<b><u>622,702</u></b>
 <b>Net Increases (Decreases)</b>	 <b><u>\$ 173,021</u></b>	 <b><u>\$ 17,960</u></b>

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

Tenant revenue declined \$8,501. This reduction was primarily due to change in family income that are renting the units. Total unit months leased increased by 75 in comparison from prior year (unit months leased in 2006 was 1,184 and 1,109 in 2005).

Operating Grants increased modestly and Capital Grants increased substantially. This increase was primarily due to the level of activity in the areas of capital grants and an effort to close-out some older Capital Funded Programs.

Most expenses increased moderately due to inflation, except for employee's health insurance and utility costs. Employees benefits increased by \$30,330 mainly due to increases in health insurance and change in employer share of retirement contribution. The Authority experienced an increase of \$22,567 in Utility – Gas for the year. Even with these major increases, the Authority did a great job in controlling expenses and ended with a total decrease in expenses of \$21,567 in comparison with prior year total expenses.

**LONDON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2006**

**Unaudited**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year-end, the Authority had \$1,666,515 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$135,393 from the end of last year.

Error! Not a valid link.

**Table 5 - Changes in Capital Assets**

Beginning Balance - September 30, 2005	\$	1,531,122
Current year Additions		286,396
Current year Depreciation Expense		(151,003)
Prior Period Adjustment to Restate the value of Land		-
Ending Balance - September 30, 2006	\$	1,666,515

Current year additions are summarized as follows:

4 KM TM 15 CU FT Gas Ranges	\$	1,652
1 computer with CDWriter & Microsoft Software		1,179
2 MC Gas Range, 20" STDCLN WOW		578
2 Refrigerator 12' KN TM WOW		819
1 KN TM 15 CU FT Gas Range		418
1 MC Eelctric Range, 20" STNDCLN WOW		597
1 MC Gas Range, 20" STDCLN WOW		291
1 CM Gas Range, FS MC GAS WHT		251
Capital Improvements In progress		280,611
Total Current Year Additions	\$	286,396

**Debt Outstanding**

As of year-end, the Authority had \$13,229 in debt outstanding compared to \$18,777 for prior year.

**LONDON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2006**

**Unaudited**

**Table 6 - Condensed Statement of Changes in Debt Outstanding**

Beginning Balance - September 30, 2005	\$ 18,777
Current Year Principal Payments	<u>(5,548)</u>
Ending Balance - September 30, 2006	<u><u>\$ 13,229</u></u>

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

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

**IN CONCLUSION**

London Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on the sound financial condition of the Authority.

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Diana Bell, Executive Director of the London Metropolitan Housing Authority. Specific requests may be submitted to Diana Bell, Executive Director, London Metropolitan Housing Authority, 179 S Main Street, London, OH 43140.



**LONDON METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2006**

**ASSETS**

CURRENT ASSETS

Cash and Cash Equivalents	\$ 165,900
Investment	19,923
Tenant Receivables - Net of \$14,199 Allowance For Doubtful Accounts	6,059
Prepaid Expenses	3,758
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 195,640</b>

Property and Equipment - Net of \$2,770,351 Accumulated Depreciation	1,666,515
---	-----------

<b>TOTAL ASSETS</b>	<b>\$ 1,862,155</b>
---------------------	---------------------

**LIABILITIES**

CURRENT LIABILITIES

Accounts Payable	\$ 27,195
Tenant Security Deposits	10,002
Accrued Wages and Payroll Taxes	4,211
Other Current Liabilities	17,504
Current Portion of Long-term Debt	5,548
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 64,460</b>

NON-CURRENT LIABILITIES

Long-term Debt, net of current	\$ 7,681
Compensated Absences-long term	82
	<u>7,763</u>

<b>TOTAL LIABILITIES</b>	<b>\$ 72,223</b>
--------------------------	------------------

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 1,653,286
Unrestricted	136,646
<b>TOTAL NET ASSETS</b>	<b>\$ 1,789,932</b>

See accompanying notes to the basic financial statements.

**LONDON METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

<u>REVENUE</u>	
HUD Grants	\$ 300,698
Rental Income	186,212
Other Income	<u>5,258</u>
 TOTAL REVENUE	 \$ <u>492,168</u>
 <u>EXPENSES</u>	
Administrative Salaries	\$ 68,525
Employee Benefits	79,273
Auditing Fees	3,605
Sundry Administration	32,874
Utilities	140,537
Material & Labor	93,921
Depreciation	151,003
General	<u>31,397</u>
 TOTAL EXPENSES	 \$ <u>601,135</u>
 OPERATING INCOME	 \$ <u>(108,967)</u>
 <u>NON-OPERATING REVENUES</u>	
Interest Income	\$ 1,377
HUD Capital Grants	<u>280,611</u>
TOTAL NON-OPERATING REVENUES	\$ <u>281,988</u>
 CHANGE IN NET ASSETS	 \$ 173,021
NET ASSETS - OCTOBER 1, 2005	<u>1,616,911</u>
 NET ASSETS - SEPTEMBER 30, 2006	 \$ <u><u>1,789,932</u></u>

See accompanying notes to the basic financial statements.

**LONDON METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2006**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Cash received from HUD	\$ 316,298
Cash received from Tenants & Other	193,626
Cash Payments Operating Expenses	<u>(446,452)</u>
 NET CASH (USED) PROVIDED FOR OPERATING ACTIVITIES	 \$ <u>63,472</u>
 <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>	
Capital Grants received for Capital Assets	\$ 280,611
Acquisition of Property and Equipment	(286,396)
Payment on Note Payable - Ohio Edison	<u>(5,548)</u>
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	\$ <u>(11,333)</u>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Investment Income	\$ <u>1,377</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ <u>1,377</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 \$ 53,516
CASH AND CASH EQUIVALENTS AT OCTOBER 1, 2005	<u>112,384</u>
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30, 2006	<u><u>\$ 165,900</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Net Operating Income (Loss)	\$ (108,967)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation	151,003
Changes in Operating Assets and Liabilities that Increase/Decrease Cash Flows:	
Receivables	12,578
Prepaid Expenses	6,088
Accounts Payable	(1,480)
Accrued Wages and Payroll Taxes	(4,969)
Other Current Liabilities	7,467
Tenant Security Deposits	<u>1,752</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 \$ <u><u>63,472</u></u>

See accompanying notes to the basic financial statements.

LONDON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization and Reporting Entity**

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

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

**Basis of Presentation**

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

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

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

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

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

**Measurement Focus and Basis of Accounting**

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

LONDON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Measurement Focus and Basis of Accounting (continued)**

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

**Estimates**

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

**Cash and Cash Equivalents**

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

**Restricted Cash**

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

**Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond September 30, 2006, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Cost based measures were applied to nonnegotiable certificates of deposit and money market investments. Interest income earned in fiscal year ended September 30, 2006 totaled \$1,377.

LONDON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

**Tenant Receivables – Recognition of Bad Debts**

Bad debts are provided on the allowance method based on management's evaluation of the collectibility of outstanding tenant receivable balances at the end of the year. The allowance of uncollectible receivable was \$14,199 at September 30, 2006.

**Property and Equipment**

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

Depreciation is recorded on the straight-line method.

**Long-Term Debt/HUD Contributions**

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

**Budgetary Accounting**

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

**Net Assets**

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

**Compensated Absences**

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

All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absence 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

LONDON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2006

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.

**Due From/To Other Programs**

Interprogram receivables and payables on the FDS Schedule on pages 23-24 are eliminated on the Statement of Net Assets.

**Deferred Revenue**

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

**NOTE 2 – CASH AND CASH EQUIVALENTS**

**Cash**

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

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

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

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

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

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

LONDON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2006

The carrying amount of the Authority's deposits was \$165,900 at September 30, 2006. The corresponding bank balances were \$165,900.

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

Category 1.	\$ 100,000	was covered by federal depository insurance.
Category 3.	\$ 65,900	was covered by collateral held by the pledging financial institution, but not in the name of the Authority.

**NOTE 2 – CASH AND CASH EQUIVALENTS (continued)**

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

**Investments**

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. For purposes of GASB No. 3, the Authority has no investments at September 30, 2006.



LONDON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, **2006, and 2005** by class is as follows:

	<u>Sept 30, 2005</u>	<u>Additions</u>	<u>Sept 30, 2006</u>
Buildings and Building Improvements	\$ 3,310,538	0	\$ 3,310,538
Land and Land Improvements	340,739	0	340,739
Furniture and Fixtures, Equipment and Moving Vehicles	241,593	5,785	247,378
Construction in Progress	<u>257,600</u>	<u>280,611</u>	<u>538,211</u>
Total	\$ 4,150,470	286,396	\$ 4,436,866
Less Accumulated Depreciation	<u>2,619,348</u>	<u>151,003</u>	<u>2,770,351</u>
Net Property and Equipment	<u>\$ 1,531,122</u>	<u>\$ 135,393</u>	<u>\$ 1,666,515</u>

Depreciation Expense for the year ended September 30, 2006 was \$151,003.

NOTE 4 – RETIREMENT AND OTHER BENEFIT PLANS

All employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. The OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information for the OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 1-800-222-7377, or on the web at [www.opers.org](http://www.opers.org).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 9% of qualifying gross wages for all employees. The total 2006 employer contribution rate was 13.54% of covered payroll, 9.04 percent to fund pension and 4.5 percent to fund health care. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Authority's contributions to OPERS for the years ended September 30, 2006, 2004 and 2004 were \$18,295.47, \$15,492 and \$14,265, respectively.

LONDON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 4 – RETIREMENT AND OTHER BENEFIT PLANS

OPERS provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2006 employer contribution rate for state employers was 13.54% of covered payroll: 4.5% was the portion that was used to fund health care for the year, under the new calculation methodology. The number of active contributing participants was 369,214 as of September 30, 2006.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the OPERS latest actuarial review performed as of December 31, 2005. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2005 was 6.50 percent. An annual increase of 4.00 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.00 percent annually.

LONDON METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006

As of December 31, 2005, the audited estimated net assets available for future OPEB payments were \$11.1 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

The benefit recipients will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a medical spending account.

NOTE 5 – COMPENSATED ABSENCES

The Board of Commissioners establishes vacation and sick leave policies.

Annual vacation and sick leave is given to all full time permanent employees at varying rates each year, based upon years of service of each respective employee. Certain portions of such leave may be accrued if not taken currently each year, but none of which may be paid to the employee except upon permanent termination, provided the employee is not dismissed for cause. At September 30, 2006, the Authority has accrued vacation and sick leave in the amount of \$82, long-term and \$4,148 current portion.

NOTE 6 – NOTE PAYABLE

The Authority financed the purchase of outside lighting with Ohio Edison in the amount of \$18,777, payable in monthly installments of \$462 per month including interest at .28% over 3.4 years. Final payment due February 2009. Four year maturities are as follows:

September 30	Principal	Interest	Total
2007	5,518	30	5,548
2008	5,534	14	5,548
2009	<u>2,129</u>	<u>4</u>	<u>2,133</u>
Total	<u>\$13,181</u>	<u>\$ 48</u>	<u>\$13,229</u>

NOTE 7 – INSURANCE

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

LONDON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 8 – FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended September 30, 2006, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and charges in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules is on pages 23 and 24. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements

NOTE 9 – CONTINGENCIES

Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at September 30, 2006.

Commitments and Contingencies

The authority has, under its normal operations, entered into commitments for the purchase of maintenance, cleaning, and other services. Such commitments are monthly or annually.

The Authority is exposed to various risks of loss related to torts; theft to, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. At September 30, 2006, the Authority was not involved in any such matters.

LONDON METROPOLITAN HOUSING AUTHORITY  
BALANCE SHEET  
FDS SCHEDULE SUBMITTED TO HUD  
SEPTEMBER 30, 2006

FDS LINE NO.	Account Description	14.850 Low Rent Public Hsg	14.872 Public Hsg Capital Fund	Total
<b>ASSETS</b>				
111	Cash - unrestricted	\$ 155,674	\$ 0	\$ 155,674
114	Cash - Tenant Security	10,226	0	10,226
100	Total Cash	<u>165,900</u>	<u>0</u>	<u>165,900</u>
122	Accounts receivable - HUD Other Projects	0	0	0
125	Accounts receivable - Misc	0	0	0
126	Accounts receivable - Tenant	14,199	0	0
126.1	Allowance for doubtful accounts - tenant	(8,140)	0	0
126.2	Allowance for doubtful accounts - other	0	0	0
129	Accrued interest receivable	0	0	0
120	TOTAL RECEIVABLES - NET	<u>6,059</u>	<u>0</u>	<u>0</u>
131	Investments - Unrestricted	19,923	0	19,923
142	Prepaid Expenses and Other	3,758	0	3,758
144	Interprogram Due From	0	0	0
150	Total Current Assets	<u>195,640</u>	<u>0</u>	<u>195,640</u>
161	Land	340,739	0	340,739
162	Buildings	3,310,538	0	3,310,538
163	Furniture and equipment - Dwelling	108,525	0	108,525
164	Furniture and equipment - Admin	101,264	12,133	113,397
165	Leasehold improvements	25,456	0	25,456
166	Accumulated depreciation	(2,766,332)	(4,019)	(2,770,351)
167	Construction in Progress	0	538,211	538,211
180	TOTAL NON-CURRENT ASSETS	<u>1,120,190</u>	<u>546,325</u>	<u>1,666,515</u>
190	TOTAL ASSETS	<u>\$ 1,315,830</u>	<u>\$ 546,325</u>	<u>\$ 1,862,155</u>
<b>LIABILITIES AND RETAINED EARNINGS</b>				
312	Accounts payable <=90 days	\$ 27,195	\$ 0	\$ 27,195
321	Accrued Wage/Payroll taxes payable	4,211	0	4,211
322	Accrued Compensated Absences	4,148	0	4,148
333	Accounts payable - other Gov	11,798	0	11,798
341	Tenant Security Deposits	10,002	0	10,002
342	Deferred Revenue	1,558	0	0
345	Other current liabilities	5,548	0	5,548
310	TOTAL CURRENT LIABILITIES	<u>64,460</u>	<u>0</u>	<u>64,460</u>
353	Noncurrent liabilities - other	7,681	0	7,681
354	Accrued Compensated Absences-non current	82	0	82
350	TOTAL NONCURRENT LIABILITIES	<u>7,763</u>	<u>0</u>	<u>7,763</u>
300	TOTAL LIABILITIES	<u>72,223</u>	<u>0</u>	<u>72,223</u>
508.1	Invested in Capital Assets, Net of Debt	1,106,961	546,325	1,653,286
512.1	Unrestricted Net Assets	136,646	0	136,646
513	TOTAL EQUITY/NET ASSETS	<u>1,243,607</u>	<u>546,325</u>	<u>1,789,932</u>
600	TOTAL LIABILITIES AND EQUITY NET ASSETS	<u>\$ 1,315,830</u>	<u>\$ 546,325</u>	<u>\$ 1,862,155</u>

LONDON METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET ASSETS  
FDS SCHEDULE SUBMITTED TO HUD  
SEPTEMBER 30, 2006

DS LINE ITEM NO.	Account Description	14.850 Low Rent Public Hsg	14.872 Public Hsg Capital Fund	Total
	REVENUE			
703	Net Tenant Revenue	\$ 186,212	\$ 0	\$ 186,212
704	Net Tenant Revenue	<u>0</u>	<u>0</u>	<u>0</u>
705	Total Tenant Revenue	186,212	0	186,212
706	HUD PHA Operating Grants	237,375	63,323	300,698
706.1	Capital Grants	0	280,611	280,611
711	Investment income	1,377	0	1,377
715	Other Revenue	<u>5,258</u>	<u>0</u>	<u>5,258</u>
700	TOTAL REVENUE	<u>430,222</u>	<u>343,934</u>	<u>774,156</u>
	EXPENSES			
911	Administrative Salaries	51,202	17,323	68,525
912	Auditing fees	3,605	0	3,605
914	Compensated Absences	1,209	0	1,209
915	Employee Benefit Admin	42,523	0	42,523
916	Other Operating - Admin	32,374	0	32,374
921	Tenant Services - Other	500	0	500
931	Water	43,494	0	43,494
932	Electric	10,030	0	10,030
933	Gas	87,013	0	87,013
941	Ordinary Mtce & Op. Labor	60,270	0	60,270
942	Ordinary Mtce & Op. Materials	4,615	0	4,615
943	Ordinary Mtce & Op. Contract Costs	29,036	0	29,036
945	Employee Benefit Contr. Mtce	35,541	0	35,541
961	Insurance Premiums	15,335	0	15,335
962	Other General Expenses	0	0	0
963	Payments in Lieu of Taxes	3,520	0	3,520
964	Bad Debt - Tenant Rent	<u>12,542</u>	<u>0</u>	<u>12,542</u>
969	TOTAL OPERATING EXPENSE	<u>432,809</u>	<u>17,323</u>	<u>450,132</u>
970	Excess operating revenue over expenses	(2,587)	326,611	324,024
	OTHER EXPENSES			
974	Depreciation expense	<u>148,955</u>	<u>2,048</u>	<u>151,003</u>
900	TOTAL EXPENSES (Acct. 969, 973,974)	<u>581,764</u>	<u>19,371</u>	<u>601,135</u>
1001	Operating Transfers In	46,000	0	46,000
1002	Operating Transfers Out	<u>0</u>	<u>(46,000)</u>	<u>(46,000)</u>
1010	Total Other Financing Sources(Uses)	46,000	(46,000)	0
1000	Excess of Operating Revenue over Expenses	(105,542)	278,563	173,021
1003	Beginning Equity	<u>1,349,149</u>	<u>267,762</u>	<u>1,616,911</u>
	ENDING EQUITY	<u>\$ 1,243,607</u>	<u>\$ 546,325</u>	<u>\$ 1,789,932</u>

**LONDON METROPOLITAN HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Federal CFDA Number</u>		<u>Funds Expended</u>
<u>FROM U. S. DEPT. OF HUD DIRECT PROGRAMS</u>			
Annual Contribution			
Public Housing:			
PHA Owned Housing:			
Operating Subsidy - Low Rent	14.850	\$	<u>237,375</u>
Modernization Program:			
Capital Fund Program	14.872	\$	<u>343,934</u>
TOTAL - ALL PROGRAMS		\$	<u><u>581,309</u></u>

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

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

Board of Commissioners  
Audit  
London Metropolitan Housing Authority  
London, Ohio

Regional Inspector General of  
Department of Housing and Urban  
Development

We have audited the basic financial statements of London Metropolitan Housing Authority as of and for the year ended September 30, 2006, and have issued our report thereon dated March 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered London Metropolitan Housing Authority's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not provide assurance on the internal control over financial reporting. Our consideration of the internal control 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 caused by error or fraud in amounts material to the financial statements. We audited may occur and not be detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Manning & Associates CPAs, LLC  
Dayton, Ohio

March 29, 2007



MANNING & ASSOCIATES CPAS, LLC  
6105 NORTH DIXIE DRIVE  
DAYTON, OHIO 45413

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIRMENTS APPLICABLE TO  
MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners  
London Metropolitan Housing Authority  
London, Ohio

Compliance

We have audited the compliance of London Metropolitan Housing Authority, London, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The London Metropolitan Housing Authority's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the London Metropolitan Housing Authority's management. Our responsibility is to express an opinion on the London Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, the London Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the London Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIRMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133** (continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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

Manning & Associates CPAs, LLC  
Dayton, Ohio

March 29, 2007

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

London Metropolitan Housing Authority  
 September 30, 2006

1. SUMMARY OF AUDITORS' RESULTS	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
Was there any reported material non-compliance at the financial statement level (GAGAS)?	NO
Were there any material internal control weakness conditions reported for major federal programs?	NO
Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	NO
Major Programs (list):	CFDA#14.872
Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All others
Low Risk Auditee?	NO

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

London Metropolitan Housing Authority  
September 30, 2006

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended September 30, 2006.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended September 30, 2006.



**Mary Taylor, CPA**  
Auditor of State

**LONDON METROPOLITAN HOUSING AUTHORITY**

**MADISON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 14, 2007**