

Jackson Metropolitan Housing Authority
General Purpose Financial Statements
For the Year Ended September 30, 2003



**Auditor of State
Betty Montgomery**

Board of Directors
Jackson Metropolitan Housing Authority
P.O. Box 619
Wellston, Ohio 45692

We have reviewed the Independent Auditor's Report of the Jackson Metropolitan Housing Authority, Jackson County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period October 1, 2002 through September 30, 2003. 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 Jackson Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 20, 2004

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JACKSON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

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SALVATORE CONSIGLIO, CPA, INC.

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Independent Auditors' Report

Board of Directors
Jackson Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying general purpose financial statements of Jackson Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Jackson Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the general purpose 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Jackson Metropolitan Housing Authority, Ohio, as of September 30, 2003, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

Member of American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants

In accordance with *Government Auditing Standards*, I have also issued a report dated February 20, 2004, on my consideration of Jackson Metropolitan Housing Authority, Ohio's internal control over financial reporting and my 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 result of my audit.

My Audit was performed for the purpose of forming an opinion on the general purpose financial statements 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 Jackson Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the general purpose financial statements. The combining financial data schedule ("FDS") is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

February 20, 2004

**Jackson Metropolitan Housing Authority
 Combined Balance Sheet
 Proprietary Fund Type - Enterprise Fund
 September 30, 2003**

ASSETS

Current Assets

Cash and cash equivalents	\$180,625
Investments	494,376
Receivables - net of allowance	8,207
Interprogram Due From	61,988
Deferred charges and other assets	12,277
Total current assets	<u>757,473</u>

Fixed assets - net of accumulated depreciation	<u>4,938,372</u>
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TOTAL ASSETS	<u><u>\$5,695,845</u></u>
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LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$19,633
Interprogram Due To	61,988
Intergovernmental payables	9,180
Accrued wages/payroll taxes	30,027
Tenant security deposits	16,962
Total current liabilities	<u>137,790</u>

Noncurrent Liabilities

Other long-term liabilities	23,014
Total noncurrent liabilities	<u>23,014</u>

Total Liabilities	<u>160,804</u>
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Equity

Contributed capital	5,658,542
Reserved fund	50,000
Unreserved fund	(173,501)
Total equity	<u>5,535,041</u>

TOTAL LIABILITIES AND EQUITY	<u><u>\$5,695,845</u></u>
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The accompanying notes to the general purpose financial statements are an integral part of these statements.

Jackson Metropolitan Housing Authority
Combined Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund Type - Enterprise Fund
For the Year Ended September 30,2003

<i>REVENUES</i>	
Tenant revenue	\$236,499
Program grants/subsidies	1,212,288
Interest	12,272
Other income	16,320
Total revenues	<u>1,477,379</u>
<i>EXPENSES</i>	
Administrative	382,054
Utilities	142,446
Maintenance	229,890
General	42,591
Housing assistance payments	462,446
Depreciation	304,296
Total expenses	<u>1,563,723</u>
Excess (deficiency) of revenues over (under) expenses	<u>(86,344)</u>
Other Financing Sources (Uses)	
Operating transfers in	155,809
Operating transfers out	(155,809)
Total Other Financing Sources (Uses)	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENSES AND OTHER FINANCING USES	<u>(86,344)</u>
BEGINNING EQUITY	5,648,069
PRIOR PERIOD ADJUSTMENTS	<u>(26,684)</u>
ENDING EQUITY	<u>\$5,535,041</u>

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

Jackson Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type - Enterprise Fund
For the Year Ended September 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Operating Income/(Loss)	\$(86,344)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	304,296
- (Increases) Decreases in Accounts Receivable – HUD	(7,768)
- (Increases) Decreases in Accounts Receivable – Miscellaneous	-
- (Increases) Decreases in Accounts Receivable – Tenants	(7,796)
- (Increases) Decreases in Allowance in Doubtful Account	8,219
- (Increases) Decreases in Prepaid Expenses	(699)
- Increases (Decreases) Accounts Payable	(5,183)
- Increases (Decreases) Accounts Payable HUD	(8,052)
- Increases (Decreases) Accrued Wages & Payroll Taxes	5,186
- Increases (Decreases) Accrues Compensated Absences	(2,412)
- Increases (Decreases) Tenant Security Deposits	(7,255)
- Increases (Decreases) Deferred Revenue	(2,385)
- Increases (Decreases) FSS Escrow Payables	<u>1,925</u>
Total Adjustments	<u>278,076</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>191,732</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash transfer to Investment Account	<u>(54,535)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(54,535)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Purchase of Assets	<u>(45,266)</u>
NET CASH PROVIDED IN FINANCING ACTIVITIES	<u>(45,266)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,931
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>88,694</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$180,625</u>

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

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Jackson 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 Jackson Metropolitan Housing 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 general purpose financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, 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.

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

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 - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent 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 or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending September 30, 2003 totaled \$14,909.

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over an 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.

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.

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. 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 compensation are attributable to services already rendered and are not contingent on a specific event

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Estimates

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

NOTE 2: CASH AND INVESTMENTS

Deposits – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the PHA or by its agent in the PHA’s name.

Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the PHA’s name.

Category 3 – Uncollateralized.

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK BALANCE	CATEGORY			CARRYING AMOUNT
		1	2	3	
Cash and Cash					
Equivalents	\$218,350	\$218,350	\$ 0	\$ 0	\$180,625
Investments	494,376	494,376	0	0	494,376
Total Deposits	<u>\$712,726</u>	<u>\$712,726</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$675,001</u>

Investments - HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

- Direct Obligations of the Federal Government;
- Obligations of Federal Government Agencies;
- Securities of Government-Sponsored Agencies; and
- Demand and Savings Deposits and Certificates of Deposit.

The PHA investments are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured, registered, or securities held by the PHA or its agent in the PHA's name.

Category 2 – Uninsured and unregistered, with securities held by the counterpart's trust department or agent in the PHA's name.

Category 3 – Uninsured and unregistered, with securities held by the counterpart, or its trust department or agent but not in the PHA's name.

The PHA's nonnegotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending September 30, 2003 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(CONTINUED)

NOTE 3: RISK MANAGEMENT (Continued)

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

NOTE 4: FIXED ASSETS

The following is a summary:

Land	\$189,315
Buildings	8,818,946
Furniture, Machinery and Equipment	175,507
Construction in Progress	98,440
Total Fixed Assets	9,282,208
Accumulated Depreciation	(4,343,836)
Net Fixed Assets	\$4,938,372

The following is a summary of changes:

	Balance					Balance
	09/30/02	Adjust.	Additions	Deletion		09/30/03
Land	\$189,335	\$0	\$0	\$0		\$189,315
Buildings	8,917,386	(98,440)	0	0		8,818,946
Furnt, Mach. and Equip.	119,882	30,112	25,513	0		175,507
Construction in Progress	78,687	0	19,753	0		98,440
Total Fixed Assets	\$9,305,290	(\$68,328)	\$45,266	\$ 0		\$9,282,208

The depreciation expense for the year ended September 30, 2003 was \$304,296.

NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM

All full-time employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(CONTINUED)

**NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM (Continued)**

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to OPERS for the years ended September 30, 2003, 2002 and 2001 were \$38,258, \$37,383, and \$27,550, respectively. The full amount has been contributed for 2002 and 2001. Ninety-two percent has been contributed for 2003, with the remainder being reported as a liability with the enterprise fund.

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year ended September 30, 2003 was 5.0 percent of covered payroll, which amounted to \$14,117. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2001. 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 2001 was 8.0 percent. An annual increase of 4.0 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

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003
(CONTINUED)

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM (Continued)**

pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

NOTE 7: PRIOR PERIOD ADJUSTMENTS

Prior period adjustment of \$26,684 was necessary to properly state beginning net fixed asset balances.

Jackson Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
September 30, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$50,000	\$91,979	\$17,285	\$-	\$159,264
115	Cash - Restricted for Payment of Current Liabilities	-	-	4,399	-	4,399
114	Cash - Tenant Security Deposits	-	16,962	-	-	16,962
100	Total Cash	<u>50,000</u>	<u>108,941</u>	<u>21,684</u>	<u>-</u>	<u>180,625</u>
122	Accounts Receivable - HUD Other Projects	-	-	7,768	-	7,768
126	Accounts Receivable - Tenants - Dwelling Rents	-	9,520	-	-	9,520
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	(9,081)	-	-	(9,081)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-
120	Total Receivables, net of allowances for doubtful accounts	<u>-</u>	<u>439</u>	<u>7,768</u>	<u>-</u>	<u>8,207</u>
131	Investments - Unrestricted	-	352,347	142,029	-	494,376
142	Prepaid Expenses and Other Assets	-	12,277	-	-	12,277
144	Interprogram Due From	11,905	50,083	-	-	61,988
150	Total Current Assets	<u>61,905</u>	<u>524,087</u>	<u>171,481</u>	<u>-</u>	<u>757,473</u>

Jackson Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
September 30, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
161	Land	-	189,315	-	-	189,315
162	Buildings	-	8,818,946	-	-	8,818,946
164	Furniture, Equipment & Machinery - Administration	-	163,507	12,000	-	175,507
166	Accumulated Depreciation	-	(4,342,636)	(1,200)	-	(4,343,836)
167	Construction in Progress	-	-	-	98,440	98,440
160	Total Fixed Assets, Net of Accumulated Depreciation	-	4,829,132	10,800	98,440	4,938,372
190	Total Assets	\$61,905	\$5,353,219	\$182,281	\$98,440	\$5,695,845
312	Accounts Payable <= 90 Days	\$-	\$19,310	\$323	\$-	\$19,633
321	Accrued Wage/Payroll Taxes Payable	-	9,212	-	-	9,212
322	Accrued Compensated Absences - Current Portion	-	16,921	3,894	-	20,815
333	Accounts Payable - Other Government	-	9,180	-	-	9,180
341	Tenant Security Deposits	-	16,962	-	-	16,962
347	Interprogram Due To	-	-	61,988	-	61,988
310	Total Current Liabilities	-	71,585	66,205	-	137,790

Jackson Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
September 30, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
354	Accrued Compensated Absences - Non Current	-	15,133	3,482	-	18,615
353	Noncurrent Liabilities - Other	-	-	4,399	-	4,399
350	Total Noncurrent Liabilities	-	15,133	7,881	-	23,014
300	Total Liabilities	-	86,718	74,086	-	160,804
504	Net HUD PHA Contributions	-	5,658,542	-	-	5,658,542
510	Fund Balance Reserved for Capital Activities	50,000	-	-	-	50,000
512	Undesignated Fund Balance/Retained Earnings	11,905	(392,041)	108,195	98,440	(173,501)
513	Total Equity/Net Assets	61,905	5,266,501	108,195	98,440	5,535,041
600	Total Liabilities and Equity/Net Assets	\$61,905	\$5,353,219	\$182,281	\$98,440	\$5,695,845

Jackson Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
September 30, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$-	\$234,247	\$-	\$-	\$234,247
704	Tenant Revenue - Other	-	2,252	-	-	2,252
705	Total Tenant Revenue	-	236,499	-	-	236,499
706	HUD PHA Operating Grants	-	419,638	597,088	175,809	1,192,535
706.1	Capital Grants	-	-	-	19,753	19,753
711	Investment Income - Unrestricted	-	8,344	3,928	-	12,272
715	Other Revenue	12,295	-	4,025	-	16,320
700	Total Revenue	12,295	664,481	605,041	195,562	1,477,379
911	Administrative Salaries	-	116,591	77,861	-	194,452
912	Auditing Fees	-	2,541	2,919	-	5,460
915	Employee Benefit Contributions - Administrative	-	84,231	7,706	-	91,937
916	Other Operating - Administrative	390	44,934	24,881	20,000	90,205
931	Water	-	58,002	-	-	58,002
932	Electricity	-	56,287	-	-	56,287
933	Gas	-	28,157	-	-	28,157
941	Ordinary Maintenance and Operations - Labor	-	94,393	-	-	94,393

Jackson Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
September 30, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
942	Ordinary Maintenance and Operations - Materials and Other	-	76,529	-	-	76,529
943	Ordinary Maintenance and Operations - Contract Costs	-	54,696	-	-	54,696
945	Employee Benefit Contributions - Ordinary Maintenance	-	2,548	-	-	2,548
961	Insurance Premiums	-	19,172	5,500	-	24,672
963	Payments in Lieu of Taxes	-	9,180	-	-	9,180
964	Bad Debt - Tenant Rents	-	8,739	-	-	8,739
969	Total Operating Expenses	390	656,000	118,867	20,000	795,257
970	Excess Operating Revenue over Operating Expenses	11,905	8,481	486,174	175,562	682,122
971	Extraordinary Maintenance	-	1,724	-	-	1,724
973	Housing Assistance Payments	-	-	462,446	-	462,446
974	Depreciation Expense	-	303,096	1,200	-	304,296
900	Total Expenses	390	960,820	582,513	20,000	1,563,723
1001	Operating Transfers In	-	155,809	-	-	155,809
1002	Operating Transfers Out	-	-	-	(155,809)	(155,809)
1010	Total Other Financing Sources (Uses)	-	155,809	-	(155,809)	-

Jackson Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
September 30, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
	Excess (Deficiency) of Operating Revenue Over (Under)					
1000	Expenses	11,905	(140,530)	22,528	19,753	(86,344)
1103	Beginning Equity	-	5,320,708	45,552	281,809	5,648,069
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	50,000	86,323	40,115	(203,122)	(26,684)
	Ending Equity	\$61,905	\$5,266,501	\$108,195	\$98,440	\$5,535,041
1113	Maximum Annual Contributions Commitment (Per ACC)	\$-	\$-	\$384,570	\$-	\$384,570
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	-	-	204,369	-	204,369
1115	Contingency Reserve, ACC Program Reserve	-	-	24,685	-	24,685
1116	Total Annual Contributions Available	\$-	\$-	\$613,624	\$-	\$613,624
1120	Unit Months Available	-	1,980	2,200	-	4,180
1121	Number of Unit Months Leased	-	1,847	2,100	-	3,947

Jackson Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
September 30, 2003

Capital Fund Program Grant OH16P040501-01

1. The Actual Modernization Costs are as follows:

Funds Approved	\$274,249
Funds Expended	<u>274,249</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The actual modernization cost certification was signed and filed on June 9, 2003.
4. The final costs on the certification agree to the Authority's records.

Jackson Metropolitan Housing Authority
Schedule of Expenditures of Federal Award
For the Year Ended September 30, 2003

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$419,638
Housing Choice Vouchers	14.871	597,088
Public Housing Capital Fund Program	14.872	<u>195,562</u>
TOTAL AWARDS		<u><u>\$1,212,288</u></u>

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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 GOVERNMENT
AUDITING STANDARDS**

Board of Directors
Jackson Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the general purpose financial statements of the Jackson Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2003, and have issued my report thereon dated February 20, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United State of America 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 Jackson Metropolitan Housing Authority, Ohio's general purpose financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered Jackson Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My 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 component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the

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financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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



Salvatore Consiglio, CPA, Inc.

February 20, 2004

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Jackson Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Jackson Metropolitan Housing Authority, 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, 2003. Jackson Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result 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 Jackson Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Jackson Metropolitan Housing Authority, Ohio's compliance based on my audit.

I conducted my 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Jackson Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Jackson Metropolitan Housing Authority, Ohio's compliance with those requirements.

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As described in item FED-2003-1 through FED-2003-2 in the accompanying schedule of findings and questioned costs, Jackson Metropolitan Housing Authority, Ohio, did not comply with requirements regarding Special Test and Provisions that are applicable to its Low Rent Program. Compliance with such requirements is necessary, in my opinion, for Jackson Metropolitan Housing Authority, Ohio, to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Jackson Metropolitan Housing Authority, Ohio, 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, 2003.

Internal Control Over Compliance

The management of Jackson Metropolitan Housing Authority, Ohio 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 my audit, I considered Jackson Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My 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 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 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. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.



Salvatore Consiglio, CPA, Inc.

February 20, 2004

Jackson Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 September 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable 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	Qualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA # 14.850a, 14.872 - Low Rent Public Housing & Capital Fund
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
--

There are no Findings or questioned costs for the year ended September 30, 2003.

Jackson Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
September 30, 2003

3. FINDINGS REALTED TO FEDERAL AWARDS

FINDING NUMBER

FED-2003-1

Third Party Documentation

U.S. Department of HUD

Low Rent Public Housing (CFDA # 14.850a)

Section 24 CFR 960.259 (c)(1) and 982.51(a)(2) states “The PHA must obtain and document in the family file third party verification of the following factors, or must document in the file why third party verification was not available:

- (i) Reported family annual income;
- (ii) The value of assets;
- (iii) Expenses related to deductions from annual income; and
- (iv) Other factors that affect the determination of adjusted income or income based rent.”

Third party verification is defined as independent verification of income and/or expenses by contacting the individual income/expense source supplied by the family. The verification documentation must be supplied directly to the independent source by the Public Housing Authority (PHA) and returned directly to the PHA from the independent source.

The result of audit procedures revealed that 3 of the 20 files examined did not properly documented verification of income was obtained. The Authority used verification brought in by the families in 2 of the 3 errors noted. This is not incompliance with the above section of the regulation.

Recommendation:

The PHA must comply with the above requirement.

PHA Response:

Third party verification will be obtained. Corrective action plan will be implemented at once. Gary Keller, Executive Director, will be responsible to ascertain that corrective action plan was implemented.

Jackson Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
September 30, 2003

FINDING NUMBER	FED-2003-2
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Rent Calculation

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850a)**

Section 24 CFR 960.259 (c) (1) states PHA must obtain and document in the family file third party verification of the following factors, or must document in the file why third party verification was not available:

- (i) Reported family annual income;
- (ii) The value of assets;
- (iii) Expenses related to deductions from annual income; and
- (iv) Other factors that affect the determination of adjusted income or income-based rent.

The result of audit procedures revealed 1 error of 20 files examined where the tenant rent payment calculated was in error. The Authority gave a \$480 deduction for disability to a family member who is a Co-Head of Household. The tenant was not entitled to this deduction. This resulted in the tenant payment to be under stated by \$12 per month.

Recommendation:

The PHA must comply with the above requirement.

PHA Response:

Tenant form 50058 will be corrected. Corrective action plan will be implemented at once. Gary Keller, Executive Director, will be responsible to ascertain that corrective action plan was implemented.

Jackson Metropolitan Housing Authority
 Schedule of Prior Audit Findings
 September 30, 2003

The following are the status of the September 30, 2002 audit findings.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
GAS-2002-1	Accounting Records	Yes	Finding no longer valid.
GAS-2002-2	Bank Reconciliation	Yes	Finding no longer valid.

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JACKSON METROPOLITAN HOUSING AUTHORITY

JACKSON 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 1, 2004**