

Jackson Metropolitan Housing Authority

General Purpose Financial Statements

For the Year Ended September 30, 2002





**Auditor of State  
Betty Montgomery**

Board of Commissioners  
Jackson Metropolitan Housing Authority

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, 2001 through September 30, 2002. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 14, 2003

**This Page is Intentionally Left Blank.**

JACKSON METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2002

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Combined Balance Sheet - Proprietary Fund Type - Enterprise Fund	3
Combined Statement of Revenues, Expenses and Change in Fund Equity - Proprietary Fund Type - Enterprise Fund	4
Combined Statement of Cash Flows - Proprietary Fund Type – Enterprise Fund	5
Notes to the General Purpose Financial Statements	6-13
Supplemental Data:	
Combining Balance Sheet - (FDS Schedule Format)	14-16
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - (FDS Schedule Format)	17 – 20
PHA's Statement and Certification of Actual Modernization Cost	21
Schedule of Expenditures of Federal Awards	22
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	23-24
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	25-26
Schedule of Findings and Questioned Costs	27-29
Schedule of Prior Audit Findings	30

**This Page is Intentionally Left Blank.**

8025 Corporate Circle, Suite 4  
North Royalton, Ohio 44133  
Phone: (440) 886-0482  
Fax: (440) 886-0585

**SALVATORE CONSIGLIO, CPA, INC.**

---

---

E-mail: [sconsiglio@aol.com](mailto:sconsiglio@aol.com)

### **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, 2002, 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, 2002, 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.

In accordance with *Government Auditing Standards*, I have also issued a report dated February 21, 2003, 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 and 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") and the PHA's statement and certification of actual modernization cost are presented for purposes additional analysis as required by the Department of Housing and Urban Development and are 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 respect in relation to the basic financial statements taken as a whole.



---

Salvatore Consiglio, CPA, Inc.  
February 21, 2003



Jackson Metropolitan Housing Authority  
 Combined Balance Sheet  
 Proprietary Fund Type - Enterprise Fund  
 September 30, 2002

**ASSETS**

**CURRENT ASSETS:**

Cash and Cash Equivalents	\$88,694
Investments	403,982
Receivables - Net of Allowance	862
Deferred Charges and Other Assets	11,578

**TOTAL CURRENT ASSETS** 505,116

**Fixed Assets - Net of Accumulated Depreciation** 5,260,315

**TOTAL ASSETS** \$5,765,431

**LIABILITIES AND FUND EQUITY**

**CURRENT LIABILITES:**

Accounts Payable	\$24,816
Intergovernmental Payables	17,602
Accrued Wages/Payroll Taxes	4,026
Tenant Security Deposits	24,217
Deferred Credits and Other Liabilities	2,385

**TOTAL CURRENT LIABILITES** 73,046

**NONCURRENT LIABILITES:**

Other Long-term Liabilities 44,316

**TOTAL NONCURRENT LIABILITES** 44,316

**TOTAL LIABILITES** 117,362

**FUND EQUITY:**

Contributed Capital	5,658,542
Unreserved Fund	(10,473)

**TOTAL FUND EQUITY** 5,648,069

**TOTAL LIABILITIES AND FUND EQUITY** \$5,765,431

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

Jackson Metropolitan Housing Authority  
 Combined Statement of Revenue, Expenses and Change in Fund Equity  
 Proprietary Fund Type  
 Enterprise Fund  
 For the Year Ended September 30, 2002

<b><u>REVENUE</u></b>	
Tenant Rental Revenue	\$244,450
Program Grant/Subsidies	1,064,991
Interest	14,909
Other Income	<u>62,853</u>
<b>TOTAL REVENUE</b>	<b><u>1,387,203</u></b>
<b><u>EXPENSES</u></b>	
Administrative	298,785
Utilities	136,516
Maintenance	224,669
General	44,726
Housing Assistance Payments	295,675
Depreciation	<u>293,788</u>
<b>TOTAL EXPENSES</b>	<b><u>1,294,159</u></b>
<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER)</b>	<b><u>93,044</u></b>
<b>Beginning Equity</b>	<b>5,369,927</b>
<b>Prior Period Adjustments</b>	<b><u>185,098</u></b>
<b>ENDING FUND EQUITY</b>	<b><u><u>\$5,648,069</u></u></b>

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

Jackson Metropolitan Housing Authority  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 Enterprise Fund  
 For the Year Ended September 30, 2002

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net Operating Income/(Loss)	\$93,044
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	293,788
- (Increases) Decreases in Accounts Receivable	(20)
- (Increases) Decreases in Prepaid Expenses	(4,070)
- Increases (Decreases) Accounts Payable	10,576
- Increases (Decreases) Payroll and Payroll Taxes Payable	(91)
- Increases (Decreases) in Deferred Credits and Other Liabilities	10,518
 Total Adjustments	 310,701
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 403,745

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Assets	(281,809)
Purchase of Investments	(100,748)
 NET CASH USED IN INVESTING ACTIVITIES	 (382,557)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,188
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	94,448
ADJUSTMENT TO CORRECT BEGINNING CASH BALANCE	(26,942)
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 \$88,694

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, 2002

**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, 2002  
(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, 2002  
(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, 2002 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, 2002  
(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, 2002  
(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	\$ 101,537	\$101,537	\$ 0	\$ 0	\$88,694
Investments	406,031	406,031	0	0	403,982
Total Deposits	<u>\$507,568</u>	<u>\$507,568</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$492,676</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, 2002 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, 2002  
(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	8,917,386
Furniture, Machinery and Equipment	119,882
Construction in Progress	78,687
Total Fixed Assets	9,305,270
Accumulated Depreciation	(4,044,955)
Net Fixed Assets	\$5,260,315

The following is a summary of changes:

	<b>Balance</b>					<b>Balance</b>
	<b>09/30/01</b>	<b>Adjust.</b>	<b>Additions</b>	<b>Deletion</b>		<b>09/30/02</b>
Land	\$189,335	(\$20)	\$0	\$0		\$189,315
Buildings	8,441,762	272,502	203,122	0		8,917,386
Furnt, Mach. and Equip.	209,987	4	0	(90,109)		119,882
Construction in Progress	0	0	78,687	0		78,687
Total Fixed Assets	\$8,841,084	\$272,486	\$281,809	(\$90,109)		\$9,305,270

The depreciation expense for the year ended September 30, 2002 was \$293,788.

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

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS 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 establishes benefits. PERS issues a stand-alone financial report, which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

JACKSON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2002  
(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 PERS for the years ended September 30, 2002, 2001 and 2000 were \$37,383, \$27,550, and \$28,086, respectively. The full amount has been contributed for 2001 and 2000. Ninety-two percent has been contributed for 2002, with the remainder being reported as a liability with the enterprise fund.

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

The Public Retirement System of Ohio (PERS) 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 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 based on authority granted by State statute. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and postretirement health care through their contributions to PERS. The portion of employer contributions rate used to fund health care for 2002 and 2001 was 4.3 percent of cover payroll.

The significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually for inflation (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

JACKSON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2002  
(CONTINUED)

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

Benefits are advance-funded using the entry age normal cost method. The number of active contributing participants was 411,076. The actuarial value of PERS of Ohio net assets available for OPEB at December 31, 2000 was \$11,735.9 million. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

**NOTE 7: PRIOR PERIOD ADJUSTMENTS**

Prior period adjustment in total of \$185,098 was necessary to properly reconcile the beginning balance sheet amounts per the accounting records with the amounts reported in prior audit report. The adjustments are as follows:

<b>Low Rent Public Housing:</b>	
- Adjustment to properly state value for building	\$272,502
- Adjustment to properly state the value of land	(20)
- Adjustment to properly state the value of equipment	4
- Equipment written off	(84,392)
- Adjustment to properly record compensated leave balance	23,035
- Adjustment to properly state beginning cash	(6,558)
- Adjustment to properly record expenses	(1,449)
	203,122
 <b>Total Low Rent Public Housing</b>	
 <b>Housing Choice Voucher:</b>	
- Adjustment to accumulated depreciation	(5,474)
- Adjustment to properly record compensated leave balance	7,128
- Adjustment to properly state beginning cash	(20,384)
- Adjustment to properly record expenses	706
	(18,024)
 <b>Total Housing Choice Voucher</b>	
	\$185,098

**NOTE 8: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD**

The accompanying schedule of expenditure of federal award is a summary of the activity of the Authority's federal programs. This schedule has been prepared on the accrual basis of accounting.

Jackson Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
September 30, 2002

Line Item No.	Account Description	Low Rent Public Housing	Section 8 Rental Voucher Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
<b>ASSETS:</b>						
CURRENT ASSETS:						
Cash:						
111	Cash - Unrestricted	\$ 80,273	\$ 0	\$ 8,421	\$ 0	\$ 88,694
100	Total Cash	80,273	0	8,421	0	88,694
Accounts and notes receivables:						
126	Accounts Receivable - Tenants - Dwelling Rents	1,724	0	0	0	1,724
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(862)	0	0	0	(862)
120	Total Receivables, net of allowances for doubtful accounts	862	0	0	0	862
131	Investments - Unrestricted	293,219	0	86,546	0	379,765
132	Investments Restricted	24,217	0	0	0	24,217
142	Prepaid Expenses and Other Assets	11,578	0	0	0	11,578
144	Interprogram Due From	24,981	0	0	0	24,981
150	TOTAL CURRENT ASSETS	435,130	0	94,967	0	530,097
NONCURRENT ASSETS;						
Fixed assets:						
161	Land	189,315	0	0	0	189,315
162	Buildings	8,714,264	0	0	203,122	8,917,386
164	Furniture, Equipment & Machinery - Administration	119,882	0	0	0	119,882
165	Leasehold Improvements	0	0	0	0	0
166	Accumulated Depreciation	(4,044,955)	0	0	0	(4,044,955)
167	Construction In Progress	0	0	0	78,687	78,687
160	Total Fixed Assets, Net of Accumulated Depreciation	4,978,506	0	0	281,809	5,260,315

Jackson Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
September 30, 2002

Line Item No.	Account Description	Low Rent Public Housing	Section 8 Rental Voucher Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
180	TOTAL NON-CURRENT ASSETS	4,970,506	0	0	281,809	5,260,315
190	<b>TOTAL ASSETS</b>	<b>\$ 5,413,636</b>	<b>\$ 0</b>	<b>\$ 94,967</b>	<b>\$281,809</b>	<b>\$5,790,412</b>
<b>LIABILITIES AND EQUITY:</b>						
<b>LIABILITIES</b>						
CURRENT LIABILITIES						
312	Accounts Payable <= 90 Days	\$ 24,816	\$ 0	\$ 0	\$ 0	\$ 24,816
321	Accrued Wage/Payroll Taxes Payable	4,026	0	0	0	4,026
331	Accounts Payable - HUD PHA Programs	0	0	8,052	0	8,052
333	Accounts Payable - Other Government	9,550	0	0	0	9,550
341	Tenant Security Deposits	24,217	0	0	0	24,217
342	Deferred Revenues	2,385	0	0	0	2,385
347	Interprogram Due To	0	0	24,981	0	24,981
310	Total Current Liabilities	64,994	0	33,033	0	98,027
354	Accrued Compensated Absences - Non Current	27,934	0	13,908	0	41,842
353	Noncurrent Liabilities - Other	0	0	2,474	0	2,474
350	Total Noncurrent Liabilities	27,934	0	16,382	0	44,316
300	<b>TOTAL LIABILITIES</b>	<b>92,928</b>	<b>0</b>	<b>49,415</b>	<b>0</b>	<b>142,343</b>
EQUITY:						
Contributed Capital						
504	Net HUD PHA Contributions	5,658,542	0	0	0	5,658,542
508	Total Contributed Capital	5,658,542	0	0	0	5,658,542
511	Total Reserved Fund Balance	0	0	0	0	0

Jackson Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
September 30, 2002

Line Item No.	Account Description	Low Rent Public Housing	Section 8 Rental Voucher Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
512	Undesignated Fund Balance/Retained Earnings	(337,834)	0	45,552	281,809	(10,473)
513	<b>TOTAL EQUITY</b>	<u>5,320,708</u>	<u>0</u>	<u>45,552</u>	<u>281,809</u>	<u>5,648,069</u>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$5,413,636</u>	<u>\$ 0</u>	<u>\$ 94,967</u>	<u>\$281,809</u>	<u>\$5,790,412</u>

Jackson Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
September 30, 2002

Line Item No.	Account Description	Low Rent Public Housing	Section 8 Rental Voucher Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
REVENUE:						
703	Net Tenant Rental Revenue	\$ 239,985	\$ 0	\$ 0	\$ 0	\$ 239,985
704	Tenant Revenue - Other	4,465	0	0	0	4,465
705	Total Tenant Revenue	244,450	0	0	0	244,450
706	HUD PHA Operating Grants	368,459	0	394,723	20,000	783,182
706.1	Capital Grants	0	0	0	281,809	281,809
711	Investment Income - Unrestricted	11,707	0	2,184	0	13,891
715	Other Revenue	55,944	0	6,909	0	62,853
720	Investment Income - Restricted	1,018	0	0	0	1,018
700	<b>TOTAL REVENUE</b>	681,578	0	403,816	301,809	1,387,203
EXPENSES:						
Administrative:						
911	Administrative Salaries	94,942	0	57,262	0	152,204
912	Auditing Fees	3,200	0	800	0	4,000
914	Compensated Absences	0	0	6,780	0	6,780
915	Employee Benefit Contributions - Administrative	26,633	0	22,334	0	48,967
916	Other Operating - Administrative	60,739	0	6,095	20,000	86,834
Utilities:						
931	Water	62,559	0	0	0	62,559
932	Electricity	51,876	0	0	0	51,876
933	Gas	22,081	0	0	0	22,081

Jackson Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
September 30, 2002

Line Item No.	Account Description	Low Rent Public Housing	Section 8 Rental Voucher Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
	Ordinary maintenance & operation:					
941	Ordinary Maintenance and Operations - Labor	88,858	0	0	0	88,858
942	Ordinary Maintenance and Operations - Materials and Other	71,487	0	0	0	71,487
943	Ordinary Maintenance and Operations - Contract Costs	39,533	0	0	0	39,533
945	Employee Benefit Contributions - Ordinary Maintenance	22,632	0	0	0	22,632
	General expenses:					
961	Insurance Premiums	18,744	0	1,131	0	19,875
963	Payments in Lieu of Taxes	8,326	0	0	0	8,326
964	Bad Debt - Tenant Rents	16,525	0	0	0	16,525
969	<b>TOTAL OPERATING EXPENSES</b>	<b>588,135</b>	<b>0</b>	<b>94,402</b>	<b>20,000</b>	<b>702,537</b>
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	<b>93,443</b>	<b>0</b>	<b>309,414</b>	<b>281,809</b>	<b>684,666</b>
971	Extraordinary Maintenance	2,159	0	0	0	2,159
973	Housing Assistance Payments	0	0	295,675	0	295,675
974	Depreciation Expense	293,788	0	0	0	293,788
900	Total Expenses	884,082	0	390,077	20,000	1,294,159



Jackson Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
September 30, 2002

Line Item No.	Account Description	Low Rent Public Housing	Section 8 Rental Voucher Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1001	Operating Transfers In	0	0	0	0	0
1002	Operating Transfers Out	0	0	0	0	0
1010	Total Other Financing Sources (Uses)	0	0	0	0	0
1000	EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER (UNDER) EXPENSES	(202,504)	0	13,739	281,809	93,044
1101	Capital Outlays Enterprise Fund	0	0	0	0	0
1102	Debt Principal Payments - Enterprise Funds	0	0	0	0	0
1103	Beginning Equity	5,320,090	49,837	0	0	5,369,927
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	203,122	(49,837)	31,813	0	185,098
	ENDING RETAINED EARNINGS	\$5,320,708	\$0	\$45,552	\$281,809	\$5,648,069

Jackson Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
September 30, 2002

Line Item No.	Account Description	Low Rent Public Housing	Section 8 Rental Voucher Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
<b>MEMO ACCOUNT INFORMATION</b>						
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ 0	\$0	\$397,917	\$ 0	\$397,917
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0	0	0
1115	Contingency Reserve, ACC Program Reserve	0	0	21,491	0	21,491
1116	Total Annual Contributions Available	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 419,408</u>	<u>\$ 0</u>	<u>\$419,408</u>
1120	Unit Months Available	1,980	0	1,608	0	3,588
1121	Number of Unit Months Leased	1,772	0	1,462	0	3,234

Jackson Metropolitan Housing Authority  
PHA's Statement and Certification of Actual Modernization Cost  
September 30, 2002

Capital Fund Program Grant Number OH16P040501-00

1. The Actual Modernization Costs are as follows:

Funds Approved	\$269,863
Funds Expended	<u>269,863</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 August 22, 2002.
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, 2002

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$368,459
Housing Choice Vouchers	14.871	394,723
Public Housing Capital Fund Program	14.872	<u>301,809</u>
<b>TOTAL AWARDS</b>		<b><u><u>\$1,064,991</u></u></b>

8025 Corporate Circle, Suite 4  
North Royalton, Ohio 44133  
Phone: (440) 886-0482  
Fax: (440) 886-0585

**SALVATORE CONSIGLIO, CPA, INC.**

E-mail: [sconsiglio@aol.com](mailto:sconsiglio@aol.com)

---

---

**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, 2002, and have issued my report thereon dated February 21, 2003. 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*. However, I noted certain immaterial instances of noncompliance that I have reported to management of Jackson Metropolitan Housing Authority, Ohio, in a separate letter dated February 21, 2003.

**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. However, I noted certain matters involving the internal control over financial reporting and its operation that I have consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my

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

judgment, could adversely affect the Jackson Metropolitan Housing Authority ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items GAS-2002-1 and GAS-2002-2.

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 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items GAS-2002-1 and GAS-2002-2 to be material weaknesses. I have also noted other matters involving the internal control over financial reporting, which I have reported to management of Jackson Metropolitan Housing Authority, Ohio's in a separate letter dated February 21, 2003.

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 that these specified parties.



---

Salvatore Consiglio, CPA, Inc.

February 21, 2003

8025 Corporate Circle, Suite 4  
North Royalton, Ohio 44133  
Phone: (440) 886-0482  
Fax: (440) 886-0585

**SALVATORE CONSIGLIO, CPA, INC.**

E-mail: [sconsiglio@aol.com](mailto:sconsiglio@aol.com)

---

---

**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, 2002. 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.

In my opinion, 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, 2002.

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

### **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 21, 2003



Jackson Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 September 30, 2002

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
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	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.850a, 14.871, 14.872 - Low Rent Public Housing, Housing Choice Voucher & Capital Fund
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
--

FINDING NUMBER	GAGAS-2002-1
----------------	--------------

**ACCOUNTING RECORDS**

The audit procedures over the PHA accounting records revealed several errors. The system in place is as follows: The PHA process vendor invoices, payroll and HAP

Jackson Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
September 30, 2002  
(Continued)

payments in house. On monthly basis that internal accounting records are backed up on a disk. The disk is then forwarded to the PHA Fee Accountant. The Fee Accountant then reviews the accounting records processed by the PHA, makes whatever necessary adjustments and provides financial statements that are presented to the Board. However, no adjustments are given to the PHA by the Fee Accountant to record in its internal accounting system. The PHA records contained many errors:

- The cash balance per the PHA accounting system did not reconcile with the bank statement. The record showed large negative balance.
- The Chart of Account commingled accounts between Public Housing and Housing Choice Voucher Program.
- Deposits were not posted on the PHA accounting records.

A review of the Fee Accountant records revealed many adjusting entries posted at end of the fiscal year. Also, the beginning balances did not reconcile with the previous audited financial statements. This resulted in several prior period adjustments to be necessary. I questioned the accuracy of the monthly financial statements provided to Board Members through the year.

Recommendation:

The PHA is responsible for the accuracy of its financial statements. The internal accounting records should be the PHA official records. All entries should be posted on its accounting records. The Fee Accountant must ascertain that all adjusting entries are posted on the PHA accounting records on a monthly basis and are supported by subsidiary ledgers and third party documentation.

FINDING NUMBER	GAGAS-2002-2
----------------	--------------

BANK RECONSILIATION

A review of the cash balance revealed that bank accounts are not reconciled. The PHA is relying on the Fee Accountant to perform this task. However, a review of the September 30, 2002 bank reconciliation revealed the following:

- No bank reconciliation was provided for a Housing Choice Voucher Program HAP Account with the Milton Banking Company. The Bank Balance was \$2,233 and the Book Balance was \$1,575, a variance of \$658.

Jackson Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
September 30, 2002  
(Continued)

- A bank reconciliation provided for Housing Choice Voucher Program account with the Milton Banking Company revealed an unreconciled difference of \$111,304. This amount appears to be a year end adjustment to cash for the period of September 30, 2001.

The PHA is not safeguarding assets. Unreconciled bank accounts will result in misleading financial statements.

Recommendation:

All bank accounts must be reconciled with the bank on a monthly basis.

3. FINDINGS RELATED TO FEDERAL AWARDS
---------------------------------------

There are no Findings or questioned costs for the year ended September 30, 2002.

Jackson Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
September 30, 2002

The audit report for the fiscal year ending September 30, 2001 contained not audit finding.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
MAY 29, 2003**