# Jefferson Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2005

**Auditor of State**
**Betty Montgomery**

Board of Directors
Jefferson Metropolitan Housing Authority
815 N. Sixth Street
Steubenville, Ohio 43952-1848

We have reviewed the *Independent Auditor's Report* of the Jefferson Metropolitan Housing Authority, Jefferson County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 Jefferson Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 8, 2006

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JEFFERSON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005

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## Independent Auditors' Report

Board of Directors
Jefferson Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Jefferson Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jefferson Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Jefferson Metropolitan Housing Authority, Ohio, as of December 31, 2005, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* I have also issued a report dated August 21, 2006, on my consideration of Jefferson Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be consider in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Jefferson Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure 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 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.
August 21, 2006

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**
**MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)**
**Year Ended DECEMBER 31, 2005**

**Unaudited**

The Jefferson Metropolitan Housing Authority ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activities, (c) identify changes in the Authority's financial position and (d) identify individual fund issues or concerns.

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

## FINANCIAL HIGHLIGHTS

• The Authority's net assets decreased by $528,000 (3%) including results from operations of $549,000. Net assets were $20,115,000 at 12/31/04 and $19,587,000 at 12/31/05.

• Revenues of the entire Authority decreased by $874,000 in 2005. Revenues were $9,045,000 in 2004 and were $8,171,000 in 2005.

• Total expenses of the entire Authority decreased by $152,000 in 2005. Total expenses were $8,851,000 in 2004 and $8,699,000 in 2005.

## USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

| |
|---|
| **MD&A**<br>~ Management Discussion and Analysis ~ |
| **Basic Financial Statement**<br>~ Authority-wide Financial Statements ~ |
| **Other Required Supplementary Information**<br>~ Required Supplementary Information (other than MD&A) ~ |

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

**Unaudited**

## Authority-Wide Financial Statements

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

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

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

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

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

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

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

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

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

## Fund Financial Statements

The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

## The Authority's Programs

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Funds Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Business Activity – Gaylord Towers – under the Section 8 New Construction, the Authority rents units that it owns to elderly households. The program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides subsidy to allow the Authority to provide the housing at a rent based on 30% of household income.

Resident Opportunity and Self Sufficiency – a grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents to obtain self sufficiency and economic independence and move from welfare to work.

Capital Fund Program – The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

**Unaudited**

Section 8 New Construction – The Authority administers Section 8 rental assistance programs where the department of Housing and Urban Development (HUD) enters into annual contribution contracts with a private owner. The owner rent housing to eligible low-income families who typically pay rent of 30 percent of adjusted gross income. The remaining portion of the rent for the unit is paid to the owner by HUD through the HAP contract. The Authority acts as the middleman between HUD and the Private Owner and ascertains that the owner is operating the program in compliance with HUD requirements. The Authority earns an administration fee for these services rendered.

## AUTHORITY-WIDE STATEMENT

### Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to the prior year. The Authority is engaged only in business-type activities.

**TABLE 1**
**Statement of Net Assets**
**(in thousands of dollars)**

| | 2005 | | 2004 | | Change | |
|---|---|---|---|---|---|---|
| Current Assets | $ | 4,938 | $ | 4,473 | $ | 465 |
| Capital Assets | $ | 15,374 | $ | 16,340 | $ | (966) |
| **Total Assets** | **$** | **20,312** | **$** | **20,813** | **$** | **(501)** |
| Current Liabilities | $ | 518 | $ | 379 | $ | 139 |
| Long-Term Liabilities | $ | 207 | $ | 319 | $ | (112) |
| **Total Liabilities** | **$** | **725** | **$** | **698** | **$** | **27** |
| Net Assets: | | | | | | |
| Invested in Capital Assets | | | | | | |
| Net of Related Debt | $ | 15,374 | $ | 16,340 | $ | (966) |
| Unrestricted | $ | 4,213 | $ | 3,775 | $ | 438 |
| **Total Net Assets** | **$** | **19,587** | **$** | **20,115** | **$** | **(528)** |
| **Total Liabilities & Net Assets** | **$** | **20,312** | **$** | **20,813** | **$** | **(501)** |

For more detailed information see the Statement of Net Assets.

**Unaudited**

### Major Factors Affecting the Statement of Net Assets

During 2005 current assets increased by $465,000 and current liabilities increased by $139,000. The current asset increase is due to a large CFP draw-down for operations in late 2005. This amount will be used to pay off short-term liabilities and to purchase several vehicles for the maintenance department which are needed badly. The increase in current liabilities is due to the increase in short-term payables which are not being paid as quickly.

During 2005 Net Capital Assets decreased by $966,000. This was due to the smaller level of purchases of Capital Assets.

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
## TABLE 2

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged in only business-type activities.

(in thousands of dollars)

| | 2005 | 2004 | Change |
|---|---|---|---|
| **Revenues** | | | |
| Tenant Revenue – Rents and Other | $ 679 | $ 934 | $ (255) |
| Operating Subsidies and Grants | $ 7,380 | $ 8,004 | $ (624) |
| Investment Income | $ 100 | $ 93 | $ 7 |
| Other Revenue | $ 12 | $ 14 | $ (2) |
| Total Revenue | $ 8,171 | $ 9,045 | $ (874) |
| **Expenses** | | | |
| Administrative | $ 1,516 | $ 1,701 | $ (185) |
| Utilities | $ 795 | $ 758 | $ 37 |
| Maintenance | $ 1,178 | $ 1,296 | $ (118) |
| Protective Services | $ 268 | $ 268 | $ - |
| General | $ 371 | $ 402 | $ (31) |
| Housing Assistance Payments | $ 3,147 | $ 3,238 | $ (91) |
| Depreciation | $ 1,248 | $ 1,184 | $ 64 |
| Other Expenses | $ 176 | $ 4 | $ 172 |
| Total Expenses | $ 8,699 | $ 8,851 | $ (152) |
| **Net Increase** | **$ (528)** | **$ 194** | **$ (722)** |

**Unaudited**

Also, for a more fair and in depth look at financial issues, see the internal financial statements.

## MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

Total revenues decreased by $874,000 (10%) in 2005. The revenues were enhanced by the fact that we withdrew $713,000* more from our grants in 2004 and this is considered revenue. The majority of this extra grant withdrawal was for Capital Improvements.

Total expenses decreased in 2005 by $152,000 (2%). The decrease is due to the decrease in Administrative and Maintenance Expense and a decrease in Section 8 housing assistance.

Administrative expenses decreasing by $185,000 and Maintenance expenses decreasing by $118,000 are due to the Housing Authorities implementation of cost cutting measures.

**TABLE 3**

NET-ASSETS (EQUITY)

The following table shows the change in net assets of Jefferson Metropolitan Housing Authority for FYE 12/31/05:

| (in thousands of dollars) | |
|---|---|
| Net Assets 12/31/04 | $20,115 |
| Net Income – 2005 | $ (528) |
| **Net Assets 12/31/05** | **$19,587** |

The changes in Net Assets reflect the 2005 income and the prior period changes.

* **Grant Withdrawals** (in thousands of dollars)

| | 2005 | 2004 | Change |
|---|---|---|---|
| Capital Fund Program | $914 | $1,605 | ($691) |
| Drug Elimination Program | $0 | $0 | $0 |
| ROSS Grant--FSS | $8 | $30 | ($22) |
| **TOTAL GRANTS** | $922 | $1,635 | ($713) |

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**
**MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)**
**Year Ended DECEMBER 31, 2005**

**Unaudited**

## CAPITAL ASSETS

As of year end, the Authority had $15,374,279 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of $965,983 or 6% from the end of last year.

**TABLE 4**
CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

(in thousands of dollars)

| | 2005 | 2004 | Change |
|---|---|---|---|
| Land & Land Rights | $2,541 | $2,541 | $0 |
| Buildings | $35,524 | $34,602 | $922 |
| Equipment | $2,937 | $2,895 | $42 |
| Contruction in Progress | $3 | $686 | ($683) |
| Accumulated Depreciation | ($25,631) | ($24,384) | ($1,247) |
| Total | $15,374 | $16,340 | ($966) |

The following reconciliation summarizes the change in Capital Assets.

**TABLE 5**
CHANGE IN CAPITAL ASSETS (in thousands of dollars)

| | |
|---|---|
| Beginning Balance - December 31, 2004 | $16,340 |
| Current year Additions | $282 |
| Current year Disposals net of Accum Depreciation | $0 |
| Proceeds for Sale of Assets | $0 |
| Current year Depreciation Expense | ($1,248) |
| Ending Balance - December 31, 2005 | $15,374 |

The current year additions represented various capital improvements such as: roof replacement, furnace and water heaters, electrical and mechanical renovation.

## Debt Outstanding

As of year-end, the Authority had no debt outstanding. The following was the activity for the year:

**TABLE 6**
CHANGES IN DEBT OUTSTANDING (in thousands of dollars)

| | |
|---|---|
| Beginning Balance - December 31, 2004 | $0 |
| Current Year Principal Payments | $0 |
| Ending Balance - December 31, 2005 | $0 |

## ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

1. Federal funding provided by congress to the Department of Housing & Urban Development
   a) Funding cuts to our Capital Fund Grants (CFP) and public housing PFS funds, if continued, will cause property deterioration and operating losses for the Authority.

   b) Restructuring funding (really funding cuts) in the Section 8 voucher program and also cuts in administration fees will force the Authority to reduce the number of low-income families helped. It will also cause a financial hardship on the Authority.

   c) The discontinuation of the Drug Elimination Program (DEP) will force the Authority to reduce, if not discontinue, the security enforcement programs that have had excellent results in curtailing crime in our projects. We have continued the Security contract at the present time. This cost should be monitored closely.

2. Local labor and demand, which can affect salary and wage rates.

3. Local inflationary, recessionary and employment trends, which can affect resident incomes, and therefore the amount of rental income.
   a) Our resident's rents have continued to decline over the past several years. PFS Funding increases as rents decline, but because of overall reductions in funding percentages, the funding has not kept up with these rent decreases.

4. Inflationary pressure on utility rates, supplies and other costs.

   a) The inflation factor that is used for our expenses has been and continues to be too low to cover the actual % increase in supplies and other costs. Specifically, the cost of insurance for property and health benefits for our employees.

   b) The way that HUD calculates our utility funding is also a source of financial problems. In the past the Authorities rates were adjusted to the actual rate charged for water, electric, gas and sewage in a reconciliation at the end of the fiscal year. HUD would then reimburse the Authority for an amount, which was close to dollar for dollar. Now HUD makes you use the rates in effect when the budget is submitted unless you have an exact rate from the utility for the next year's rates. The utilities cannot give you this information (except water in some cases).

5. Property condition

   a) At this time, the Authority has started the demolition of the Elmer White Hi-rise. This will be an expensive process for the Authority.

6. HUD is requiring the Housing Authority to implement Project Based Management. This is supposed to be fully implemented by January 2007. This process will be very time consuming and will also be costly to the Authority.

**STRATEGIC PLANS**

Some major issues we are addressing to help with the funding cuts:

1. Security
   a) A plan to cut security needs to be implemented.

2. Health Care Costs
   a) Several different scenarios are being looked at for the future.

3. Staffing and Wages
   a) The Authority is trying to avoid layoffs.
   b) Staffing is being cut through attrition.
   c) Hourly wages and salaries have been frozen through April 30, 2006.

4. Section 8 – Vouchers
   a) The funding issues are being monitored so the Authority can maximize funding.

5. Properties
   a) The Authority continues to pursue a Home-Ownership program to sell off some of the scattered sites.

6. Project-Based Accounting
   a) The process of implementing Project-Based has been started.
   b) The accounting portion of this is about 75% in effect now.

**FINANCIAL CONTACT**

If you have any questions regarding this report, you may contact Jim Fullen, Assistant Director of Jefferson Metropolitan Housing Authority, at (740) 282-0994 extension #22.

Jim Fullen
___________________________________
Jim Fullen, Assistant Director, JMHA

Joseph Costantini
____________________________________
Joseph Costantini, Exec. Director, JMHA

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**
**Statement of Net Assets**
**Proprietary Funds**
**December 31, 2005**

| | |
|---|---|
| ***ASSETS*** | |
| **Current assets** | |
| Cash and cash equivalents | $4,781,643 |
| Receivables, net | 49,922 |
| Inventories, net | 83,381 |
| Prepaid expenses and other assets | 23,075 |
| **Total current assets** | **4,938,021** |
| | |
| **Noncurrent assets** | |
| Capital assets: | |
| Land | 2,541,310 |
| Building and equipment | 38,460,544 |
| Construction in Progress | 3,128 |
| Less accumulated depreciation | (25,630,703) |
| ***Total noncurrent assets*** | ***15,374,279*** |
| **Total assets** | **$20,312,300** |
| | |
| ***LIABILITIES*** | |
| **Current liabilities** | |
| Accounts payable | $151,463 |
| Accrued liabilities | 155,862 |
| Intergovernmental payables | 6,330 |
| Tenant security deposits | 114,826 |
| Deferred revenue | 313 |
| Other current liabilities | 89,250 |
| ***Total current liabilities*** | ***518,044*** |
| | |
| **Noncurrent liabilities** | |
| Accrued compensated absences non-current | 207,469 |
| ***Total noncurrent liabilities*** | ***207,469*** |
| **Total liabilities** | **$725,513** |

The accompanying notes to the Financial Statements are an integral part of these statements.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**
**Statement of Net Assets (Continued)**
**Proprietary Funds**
**December 31, 2005**

| | |
|---|---|
| ***NET ASSETS*** | |
| Invested in capital assets, net of related debt | $15,374,279 |
| Unrestricted net assets | 4,212,508 |
| **Total net assets** | **$19,586,787** |

The accompanying notes to the Financial Statements are an integral part of these statements.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**
**Proprietary Funds**
**For the Year Ended December 31, 2005**

| | |
|---|---|
| ***OPERATING REVENUES*** | |
| Tenant Revenue | $679,281 |
| Government operating grants | 7,144,714 |
| Other revenue | 12,194 |
| **Total operating revenues** | **7,836,189** |
| | |
| ***OPERATING EXPENSES*** | |
| Administrative | 1,514,999 |
| Tenant services | 1,531 |
| Utilities | 794,633 |
| Maintenance | 1,353,401 |
| Protective services | 267,846 |
| General | 371,360 |
| Housing assistance payment | 3,146,855 |
| Depreciation | 1,248,378 |
| ***Total operating expenses*** | ***8,699,003*** |
| **Operating income (loss)** | **(862,814)** |
| | |
| ***NONOPERATING REVENUES (EXPENSES)*** | |
| Interest and investment revenue | 100,246 |
| ***Total nonoperating revenues (expenses)*** | ***100,246*** |
| | |
| Income (loss) before contributions and transfers | (762,568) |
| | |
| Capital grants | 234,641 |
| Change in net assets | (527,927) |
| Total net assets - beginning | 20,114,714 |
| **Total net assets - ending** | **$19,586,787** |

The accompanying notes to the Financial Statements are an integral part of these statements.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**
**Statement of Cash Flows**
**Proprietary Fund Type**
**For the Year Ended December 31, 2005**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Operating grants received | $7,137,403 |
| Tenant revenue received | 688,083 |
| Other revenue received | 14,817 |
| General and administrative expenses paid | (4,274,344) |
| Housing assistance payments | (3,146,855) |
| **Net cash provided (used) by operating activities** | **419,104** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest earned | 77,064 |
| **Net cash provided (used) by investing activities** | **77,064** |
| **CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES** | |
| Proceeds from sale of capital assets | |
| Capital grant funds received | 234,641 |
| Property and equipment purchased | (282,396) |
| **Net cash provided (used) by capital and related activities** | **(47,755)** |
| Net increase (decrease) in cash | 448,413 |
| Cash and cash equivalents - Beginning of year | 4,333,230 |
| **Cash and cash equivalents - End of year** | **$4,781,643** |

The accompanying notes to the Financial Statements are an integral part of these statements.

## JEFFERSON METROPOLITAN HOUSING AUTHORITY
**Statement of Cash Flows (Continued)**
**Proprietary Funds**
**For the Year Ended December 31, 2005**

| | |
|---|---|
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | |
| Net Operating Income (Loss) | ($862,814) |
| Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities | |
| - Depreciation | 1,248,378 |
| - (Increases) Decreases in Accounts Receivable | 432 |
| - (Increases) Decreases in Prepaid Assets | 27,380 |
| - (Increases) Decreases in Inventory | (21,716) |
| - Increases (Decreases) in Accounts Payable | 59,928 |
| - Increases (Decreases) in Accounts Payable - Intergovermental | (67,704) |
| - Increases (Decreases) in Accrued Expenses Payable | 35,874 |
| - Increases (Decreases) in Deferred Revenue | 103 |
| - Increases (Decreases) in Other Current Liabilities | 19,327 |
| - Increases (Decreases) in Other Noncurrent Liabilities | (54,628) |
| - Increases (Decreases) in Accrued Compensated Absences | 27,098 |
| - Increases (Decreases) in Tenant Security Deposits | 7,446 |
| **Net cash provided by operating activities** | **$419,104** |

The accompanying notes to the Financial Statements are an integral part of these statements.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Summary of Significant Accounting Policies

The financial statements of the Jefferson Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

### Reporting Entity

The Jefferson 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 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.

**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.

**Basis of Presentation**

The Authority's financial statements consist of a statement of net assets, a statement of revenue, expenses, changes in net assets, and a statement of cash flows.

**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.

**NOTE 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>** (Continued)

**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 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 after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Description of programs**

The Authority uses a single enterprise fund to maintain its financial records on the accrual basis. The following are the various programs which are included in the enterprise fund:

A. **Public Housing Program**

The pubic housing program is designed to provide low-cost housing within the Jefferson County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. **Capital Fund Program**

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. **Housing Choice Voucher Program**

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

D. **Resident Opportunity and Self Sufficiency**

A grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents to obtain self sufficiency and economic independence and move from welfare to work.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Section 8 New Construction Program**

The Authority administers Section 8 rental assistance programs where the Department of Housing and Urban Development (HUD) enters into annual contributions contracts with a private owner. The owner rent housing to eligible low-income families who typically pay rent of 30 percent of adjusted gross income. The remaining portion of the rent for the unit is paid to the owner by HUD through the HAP contract. The Authority acts as the middleman between HUD and the Private Owner and ascertains that the owner is operating the program incompliance with HUD requirements. The Authority earns an administration fee for these services rendered.

F. **Business Activities**

Gaylord Tower is an apartment building owned by the Authority. The units are rented to elderly households. The building is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides subsidy to allow the Authority to provide the housing at a rent based on 30% of household income.

G. **State and Local Funds**

The state and local funds represent the Authority contracts with the City of Toronto for the administration of its low income housing program.

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2005 totaled $100,246.

**Capital Assets**

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of $1,000 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives of three years to forty years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

**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 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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Net Assets**
Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

**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: DEPOSITS AND INVESTMENTS**

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

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

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

**NOTE 2: DEPOSITS AND INVESTMENTS** (Continued)

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

Government Accounting Standards Board Statement No. 3 (GASB #3) has established custodial credit risk categories for deposits and investments as follows:

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

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

Category 3 – Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

The carrying amount of the Authority's deposits was $4,781,643 at December 31, 2005. The corresponding bank balance was $5,100,242. Of the bank balance, $200,000 was covered by federal deposit insurance (FDIC) with the remaining balance covered by collateralization held by the bank in the Authority's name as required by HUD. The custodial credit risk for the Authority deposit is Category 1.

Investments

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

**NOTE 2: DEPOSITS AND INVESTMENTS** (Continued)

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

*Interest Rate Risk* – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less then 2 years.

*Credit Risk* – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority depository agreement specifically requires compliance with HUD requirement.

*Concentration of Credit Risk* – The Authority places no limit on the amount that may be invested with any one issuer. However, it is the Authority practice to do business with more then one depository.

The Authority did not have any investments as of December 31, 2005 other than certificates of deposits.

**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 December 31, 2005 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.

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*:* CAPITAL ASSETS**

The following is a summary of changes:

| | **Balance 12/31/04** | **Adjust** | **Additions** | **Deletion** | **Balance 12/31/05** |
|---|---|---|---|---|---|
| **Capital Assets Not Being Depreciated:** | | | | | |
| Land | $2,541,310 | $0 | $0 | $0 | $2,541,310 |
| Construction in Progress | 685,527 | (682,399) | 0 | 0 | 3,128 |
| **Total Capital Assets Not Being Depreciated** | **3,226,837** | **(682,399)** | **0** | **0** | **2,544,438** |
| **Capital Assets Being Depreciated:** | | | | | |
| Buildings | 34,602,215 | 682,399 | 238,841 | 0 | 35,523,455 |
| Furnt, Mach. and Equip - Dwellin | 2,125,918 | 0 | 19,591 | 0 | 2,145,509 |
| Furnt, Mach. and Equip - Admin | 769,196 | 0 | 23,964 | (1,580) | 791,580 |
| Total Capital Assets Being Depreciated | 37,497,329 | 682,399 | 282,396 | (1,580) | 38,460,544 |
| Accumulated Depreciation | (24,383,905) | 0 | (1,248,378) | 1,580 | (25,630,703) |
| **Total Capital Assets Being Depreciated, Net** | **13,113,424** | **682,399** | **(965,982)** | **0** | **12,829,841** |
| **Total Capital Assets, Net** | **$16,340,261** | **$0** | **($965,982)** | **$0** | **$15,374,279** |

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

All full-time employees of 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.

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

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.

3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2005 employer pension contribution rate for Authority was 13.55 percent. Contributions are authorized by state statue. The contribution rates are determined actuarially. contributions to PERS for the years ended December 31, 2005, 2004, and 2003 $187,243, $191,152 and $249,047 respectively. Ninety-Two percent has been contributed for 2004. All required contributions for the two previous years have been paid.

**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

**NOTE 6: <u>POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES RETIREMENT SYSTEM</u>** (Continued)

contributions to the OPERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2005 was 4.0 percent of covered payroll, which amounted to $55,275. 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, 2004. 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 2004 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 pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 376,109. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2004 was $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.5 billion and $18.7 billion, respectively.

**NOTE 8: <u>SCHEDULE OF EXPENDITURE OF FEDERAL AWARD</u>**

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.

Jefferson Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2005

| Line Item No. | Account Description | Business Activities | N/C S/R Section 8 Programs | Section 8 MR Single Room Occupancy | Low Rent Public Housing | Resident Opportunity and Supportive Services | Housing Choice Vouchers | Public Housing Capital Fund Program | Total |
|---|---|---|---|---|---|---|---|---|---|
| 111 | Cash - Unrestricted | $2,058,248 | $44,372 | $30,355 | $2,303,317 | $0 | $177,580 | $0 | $4,613,872 |
| 113 | Cash - Other Restricted | $0 | $0 | $0 | $7,084 | $0 | $45,861 | $0 | $52,945 |
| 114 | Cash - Tenant Security Deposits | $19,837 | $0 | $0 | $94,989 | $0 | $0 | $0 | $114,826 |
| 100 | Total Cash | $2,078,085 | $44,372 | $30,355 | $2,405,390 | $0 | $223,441 | $0 | $4,781,643 |
| | | | | | | | | | |
| 122 | Accounts Receivable - HUD Other Projects | $0 | $0 | $0 | $8,644 | $0 | $0 | $0 | $8,644 |
| 125 | Accounts Receivable - Miscellaneous | $0 | $0 | $0 | $557 | $0 | $0 | $0 | $557 |
| 126 | Accounts Receivable - Tenants - Dwelling Rents | $3,791 | $0 | $0 | $20,957 | $0 | $0 | $0 | $24,748 |
| 126 | Allowance for Doubtful Accounts - Dwelling Rents | ($2,730) | $0 | $0 | ($15,089) | $0 | $0 | $0 | ($17,819) |
| 129 | Accrued Interest Receivable | $9,898 | $0 | $0 | $23,894 | $0 | $0 | $0 | $33,792 |
| 120 | Total Receivables, net of allowances for doubtful accounts | $10,959 | $0 | $0 | $38,963 | $0 | $0 | $0 | $49,922 |
| | | | | | | | | | |
| 142 | Prepaid Expenses and Other Assets | $0 | $0 | $0 | $23,075 | $0 | $0 | $0 | $23,075 |
| 143 | Inventories | $0 | $0 | $0 | $92,646 | $0 | $0 | $0 | $92,646 |
| 143 | Allowance for Obsolete Inventories | $0 | $0 | $0 | ($9,265) | $0 | $0 | $0 | ($9,265) |
| 144 | Interprogram Due From | $7,293 | $0 | $0 | $69,282 | $0 | $0 | $0 | $76,575 |
| 150 | Total Current Assets | $2,096,337 | $44,372 | $30,355 | $2,620,091 | $0 | $223,441 | $0 | $5,014,596 |
| | | | | | | | | | |
| 161 | Land | $70,000 | $0 | $0 | $2,471,310 | $0 | $0 | $0 | $2,541,310 |
| 162 | Buildings | $3,731,947 | $0 | $0 | $31,791,508 | $0 | $0 | $0 | $35,523,455 |
| 163 | Furniture, Equipment & Machinery - Dwellings | $29,059 | $0 | $0 | $2,116,450 | $0 | $0 | $0 | $2,145,509 |
| 164 | Furniture, Equipment & Machinery - Administration | $21,511 | $0 | $0 | $724,264 | $0 | $45,805 | $0 | $791,580 |
| 166 | Accumulated Depreciation | ($2,264,580) | $0 | $0 | ($23,325,162) | $0 | ($40,961) | $0 | ($25,630,703) |
| 167 | Construction In Progress | $0 | $0 | $0 | $0 | $0 | $0 | $3,128 | $3,128 |
| 160 | Total Fixed Assets, Net of Accumulated Depreciation | $1,587,937 | $0 | $0 | $13,778,370 | $0 | $4,844 | $3,128 | $15,374,279 |

| Jefferson Metropolitan Housing Authority<br>FDS Schedule Submitted To REAC<br>Proprietary Fund Type – Enterprise Fund<br>December 31, 2005 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Line Item No. | Account Description | Business Activities | N/C S/R Section 8 Programs | Section 8 MR Single Room Occupancy | Low Rent Public Housing | Resident Opportunity and Supportive Services | Housing Choice Vouchers | Public Housing Capital Fund Program | Total |
| 190 | Total Assets | $3,684,274 | $44,372 | $30,355 | $16,398,461 | $0 | $228,285 | $3,128 | $20,388,875 |
| | | | | | | | | | |
| 312 | Accounts Payable <= 90 Days | $13,218 | $0 | $0 | $138,245 | $0 | $0 | $0 | $151,463 |
| 321 | Accrued Wage/Payroll Taxes Payable | $2,091 | $152 | $152 | $64,817 | $0 | $4,969 | $0 | $72,181 |
| 322 | Accrued Compensated Absences - Current Portion | $3,963 | $0 | $0 | $39,949 | $0 | $39,769 | $0 | $83,681 |
| 331 | Accounts Payable - HUD PHA Programs | $0 | $2,382 | $3,948 | $0 | $0 | $0 | $0 | $6,330 |
| 341 | Tenant Security Deposits | $19,837 | $0 | $0 | $94,989 | $0 | $0 | $0 | $114,826 |
| 342 | Deferred Revenues | $0 | $0 | $0 | $313 | $0 | $0 | $0 | $313 |
| 345 | Other Current Liabilities | $15,146 | $0 | $0 | $21,159 | $0 | $0 | $0 | $36,305 |
| 346 | Accrued Liabilities - Other | $0 | $0 | $0 | $7,084 | $0 | $45,861 | $0 | $52,945 |
| 347 | Interprogram Due To | $29,018 | $639 | $867 | $7,293 | $0 | $38,758 | $0 | $76,575 |
| 310 | Total Current Liabilities | $83,273 | $3,173 | $4,967 | $373,849 | $0 | $129,357 | $0 | $594,619 |
| | | | | | | | | | |
| 354 | Accrued Compensated Absences - Non Current | $22,907 | $2,450 | $2,450 | $123,226 | $0 | $56,436 | $0 | $207,469 |
| 350 | Total Noncurrent Liabilities | $22,907 | $2,450 | $2,450 | $123,226 | $0 | $56,436 | $0 | $207,469 |
| | | | | | | | | | |
| 300 | Total Liabilities | $106,180 | $5,623 | $7,417 | $497,075 | $0 | $185,793 | $0 | $802,088 |
| | | | | | | | | | |
| 508 | Invested in Capital Assets, Net of Related Debt | $1,587,937 | $0 | $0 | $13,778,370 | $0 | $4,844 | $3,128 | $15,374,279 |
| 512 | Unrestricted Net Assets | $1,990,157 | $38,749 | $22,938 | $2,123,016 | $0 | $37,648 | $0 | $4,212,508 |
| 513 | Total Equity/Net Assets | $3,578,094 | $38,749 | $22,938 | $15,901,386 | $0 | $42,492 | $3,128 | $19,586,787 |
| | | | | | | | | | |
| 600 | Total Liabilities and Equity/Net Assets | $3,684,274 | $44,372 | $30,355 | $16,398,461 | $0 | $228,285 | $3,128 | $20,388,875 |
| | | | | | | | | | |
| 703 | Net Tenant Rental Revenue | $262,408 | $0 | $0 | $409,904 | $0 | $0 | $0 | $672,312 |
| 704 | Tenant Revenue - Other | $0 | $0 | $0 | $6,969 | $0 | $0 | $0 | $6,969 |
| 705 | Total Tenant Revenue | $262,408 | $0 | $0 | $416,873 | $0 | $0 | $0 | $679,281 |
| | | | | | | | | | |
| 706 | HUD PHA Operating Grants | $0 | $327,450 | $85,858 | $2,363,989 | $8,068 | $3,237,038 | $671,334 | $6,693,737 |

| Jefferson Metropolitan Housing Authority<br>FDS Schedule Submitted To REAC<br>Proprietary Fund Type – Enterprise Fund<br>December 31, 2005 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Line Item No. | Account Description | Business Activities | N/C S/R Section 8 Programs | Section 8 MR Single Room Occupancy | Low Rent Public Housing | Resident Opportunity and Supportive Services | Housing Choice Vouchers | Public Housing Capital Fund Program | Total |
| 706 | Capital Grants | $0 | $0 | $0 | $0 | $0 | $0 | $234,641 | $234,641 |
| 708 | Other Government Grants | $450,977 | $0 | $0 | $0 | $0 | $0 | $0 | $450,977 |
| 711 | Investment Income - Unrestricted | $48,882 | $0 | $0 | $51,362 | $0 | $2 | $0 | $100,246 |
| 714 | Fraud Recovery | $0 | $0 | $0 | $0 | $0 | $635 | $0 | $635 |
| 715 | Other Revenue | $2,264 | $0 | $0 | $9,295 | $0 | $0 | $0 | $11,559 |
| 700 | Total Revenue | $764,531 | $327,450 | $85,858 | $2,841,519 | $8,068 | $3,237,675 | $905,975 | $8,171,076 |
| | | | | | | | | | |
| 911 | Administrative Salaries | $74,717 | $8,145 | $8,262 | $520,943 | $5,564 | $264,248 | $25,098 | $906,977 |
| 912 | Auditing Fees | $663 | $73 | $110 | $9,284 | $0 | $3,133 | $0 | $13,263 |
| 913 | Outside Management Fees | $0 | | $0 | $30 | $0 | $0 | $0 | $30 |
| 915 | Employee Benefit Contributions - Administrative | $30,534 | $3,326 | $3,385 | $212,040 | $2,504 | $108,170 | $11,294 | $371,253 |
| 916 | Other Operating - Administrative | $18,324 | $1,106 | $1,666 | $108,915 | $0 | $52,831 | $37,103 | $219,945 |
| 922 | Relocation Costs | $0 | $0 | $0 | $3,531 | $0 | $0 | $0 | $3,531 |
| 924 | Tenant Services - Other | $0 | $0 | $0 | $1,531 | $0 | $0 | $0 | $1,531 |
| 931 | Water | $19,412 | $0 | $0 | $114,091 | $0 | $0 | $0 | $133,503 |
| 932 | Electricity | $54,588 | $0 | $0 | $160,218 | $0 | $0 | $0 | $214,806 |
| 933 | Gas | $14,907 | $0 | $0 | $283,257 | $0 | $0 | $0 | $298,164 |
| 938 | Other Utilities Expense | $22,043 | $0 | $0 | $126,117 | $0 | $0 | $0 | $148,160 |
| 941 | Ordinary Maintenance and Operations - Labor | $47,657 | $0 | $0 | $407,061 | $0 | $0 | $0 | $454,718 |
| 942 | Ordinary Maintenance and Operations - Materials and Other | $18,507 | $27 | $41 | $122,656 | $0 | $1,303 | $0 | $142,534 |
| 943 | Ordinary Maintenance and Operations - Contract Costs | $56,039 | $17 | $26 | $337,303 | $0 | $1,721 | $0 | $395,106 |
| 945 | Employee Benefit Contributions - Ordinary Maintenance | $19,475 | $0 | $0 | $165,686 | $0 | $0 | $0 | $185,161 |
| 951 | Protective Services - Labor | $0 | $0 | $0 | $0 | $0 | $0 | $22,915 | $22,915 |
| 952 | Protective Services - Other Contract Costs | $0 | $0 | $0 | $0 | $0 | $0 | $234,620 | $234,620 |
| 955 | Employee Benefit Contributions - Protective Services | $0 | $0 | $0 | $0 | $0 | $0 | $10,311 | $10,311 |

| Jefferson Metropolitan Housing Authority<br>FDS Schedule Submitted To REAC<br>Proprietary Fund Type – Enterprise Fund<br>December 31, 2005 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Line Item No. | Account Description | Business Activities | N/C S/R Section 8 Programs | Section 8 MR Single Room Occupancy | Low Rent Public Housing | Resident Opportunity and Supportive Services | Housing Choice Vouchers | Public Housing Capital Fund Program | Total |
| 961 | Insurance Premiums | $37,071 | $171 | $258 | $244,628 | $0 | $9,884 | $0 | $292,012 |
| 962 | Other General Expenses | $2,500 | $0 | $0 | $0 | $0 | $0 | $0 | $2,500 |
| 963 | Payments in Lieu of Taxes | $15,146 | $0 | $0 | $0 | $0 | $0 | $0 | $15,146 |
| 964 | Bad Debt - Tenant Rents | $2,582 | $0 | $0 | $18,024 | $0 | $0 | $0 | $20,606 |
| 968 | Severance Expense | $2,323 | $1,318 | $1,318 | $36,229 | $0 | ($92) | $0 | $41,096 |
| 969 | Total Operating Expenses | $436,488 | $14,183 | $15,066 | $2,871,544 | $8,068 | $441,198 | $341,341 | $4,127,888 |
| | | | | | | | | | |
| 970 | Excess Operating Revenue over Operating Expenses | $328,043 | $313,267 | $70,792 | ($30,025) | $0 | $2,796,477 | $564,634 | $4,043,188 |
| | | | | | | | | | |
| 971 | Extraordinary Maintenance | $0 | $0 | $0 | $0 | $0 | $0 | $175,882 | $175,882 |
| 973 | Housing Assistance Payments | $0 | $310,203 | $71,254 | $0 | $0 | $2,765,398 | $0 | $3,146,855 |
| 974 | Depreciation Expense | $122,451 | $0 | $0 | $1,123,151 | $0 | $2,776 | $0 | $1,248,378 |
| 900 | Total Expenses | $558,939 | $324,386 | $86,320 | $3,994,695 | $8,068 | $3,209,372 | $517,223 | $8,699,003 |
| | | | | | | | | | |
| 1001 | Operating Transfers In | $0 | $0 | $0 | $154,111 | $0 | $0 | $0 | $154,111 |
| 1002 | Operating Transfers Out | $0 | $0 | $0 | $0 | $0 | $0 | ($154,111) | ($154,111) |
| 1010 | Total Other Financing Sources (Uses) | $0 | $0 | $0 | $154,111 | $0 | $0 | ($154,111) | $0 |
| | | | | | | | | | |
| 1000 | Excess (Deficiency) of Operating Revenue Over (Under) Expenses | $205,592 | $3,064 | ($462) | ($999,065) | $0 | $28,303 | $234,641 | ($527,927) |
| | | | | | | | | | |
| 1103 | Beginning Equity | $3,372,502 | $59,085 | $0 | $15,983,411 | $0 | $14,189 | $685,527 | $20,114,714 |
| 1104 | Prior Period Adjustments, Equity Transfers and Correction of Errors | $0 | ($23,400 ) | $23,400 | $917,040 | $0 | $0 | ($917,040) | $0 |
| | | | | | | | | | |
| | Ending Equity | $3,578,094 | $38,749 | $22,938 | $15,901,386 | $0 | $42,492 | $3,128 | $19,586,787 |
| | | | | | | | | | |

Jefferson Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2005

Capital Fund Program Number OH12P01450103

1. The Program Costs are as follows:

| | |
|---|---|
| Funds Approved | $1,181,778 |
| Funds Expended | 1,181,778 |
| Excess (Deficiency) of Funds Approved | $ -0- |
| Funds Advanced | $1,181,778 |
| Funds Expended | 1,181,778 |
| Excess (Deficiency) of Funds Advanced | $ -0- |

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on December 28, 2005.
4. The final costs on the certification agree to the Authority's records.

Jefferson Metropolitan Housing Authority
Schedule of Expenditure of Federal Award
For the Year Ended December 31, 2005

| FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES | CFDA NUMBER | EXPENDITURES |
|---|---|---|
| **U.S. Department of Housing and Urban Development** | | |
| Direct Program | | |
| Section 8 Project Base Cluster: | | |
| Section 8 New Construction Program | 14.182 | $327,450 |
| Section 8 Moderate Rehab. Single Room Occupancy | 14.249 | 85,858 |
| Total Section 8 Project Base Cluster Programs | | 413,308 |
| Low Rent Public Housing | 14.850 | 2,363,989 |
| Resident Opportunity and Supportive Services | 14.870 | 8,068 |
| Housing Choice Voucher Program | 14.871 | 3,237,038 |
| Public Housing Capital Fund Program | 14.872 | 905,975 |
| Total Expenditure of Federal Award | | $6,928,378 |

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

Board of Directors
Jefferson Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of the Jefferson Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the Jefferson Metropolitan Housing Authority basic financial statements and have issued my report thereon dated August 21, 2006. 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.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered Jefferson 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 financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jefferson Metropolitan Housing Authority, Ohio's 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 matters that I have reported to management of Jefferson Metropolitan Housing Authority, Ohio, in a separate letter dated August 21, 2006.

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

Salvatore Consiglio, CPA, Inc.

August 21, 2006

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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
Jefferson Metropolitan Housing Authority

**Compliance**

I have audited the compliance of the Jefferson 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 December 31, 2005. Jefferson 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 Jefferson Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Jefferson 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 Jefferson 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 Jefferson Metropolitan Housing Authority, Ohio's compliance with those requirements.

As discussed in item FED-2005-1 in the accompanying schedule of findings and questioned costs, Jefferson Metropolitan Housing Authority, Ohio, did not comply with requirements regarding eligibility that are applicable to its Low Rent Public Housing Program. Compliance with such requirement is necessary, in my opinion, for Jefferson Metropolitan Housing Authority, Ohio, to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Jefferson 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 December 31, 2005.

**Internal Control Over Compliance**

The management of Jefferson 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 Jefferson 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

Salvatore Consiglio, CPA, Inc.

August 21, 2006

Jefferson Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

| | |
|---|---|
| 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 materials 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 # 14.182 Section 8 New Construction and Substantial Rehab, 14.249 Section 8 Mod Rehab Single Room Occupancy, 14.850 Low Rent Public Housing Program |
| Dollar Threshold: Type A/B Programs | Type A: > $300,000<br>Type B: All Others |
| Low Risk Auditee? | Yes |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

There are no Findings or questioned costs for the year ended December 31, 2005.

## 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| FINDING NUMBER | FED-2005-1 |
|---|---|

**Supporting Documentation**

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

24 CFR 982.158 requires that the PHA maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

Audit procedures over 40 Low Rent Public Housing Program tenant files revealed the following information was not available in the files reviewed:

- 3 files did not contain copy of the lease agreement.
- 5 files did not properly document income verification. 4 of the 5 files resulted in error in the calculation of the tenant rent amount.
- 1 file did not properly document the choice of flat rent or income base.
- 13 files did not properly document the tenant declaration of citizenship.

The above errors was the result of tenant files not been very well organized. It was very difficult and required assistance from PHA staff to locate the necessary documentation for the audit procedures. This resulted in the PHA not been in compliance with the above requirement.

Recommendation:
The PHA should implement a uniform system for documenting information in the tenant files. Calculator tape should be included with the income verification showing how the family income was arrived at. This will make it more efficient for the staff performing quality assurance review of the filed through the year and will make it easier to spot any error that may exist in the files.

Corrective Action Plan:
The PHA is in the process of implementing project base accounting. At part of this process it is restructuring the current system in place for processing tenant application and annual recertification system. The auditor recommendation will be considered.

The files with the rent calculation errors will be reexamined and corrected.

| | |
|---|---|
| Anticipated Completion Date: | December 31, 2006 |
| Responsible Contact Person: | Patty Hockenberry, Housing Manager |

Jefferson Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2005

The audit report for the fiscal year ending December 31, 2004 contained not audit finding.

Auditor of State
Betty Montgomery

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**JEFFERSON METROPOLITAN HOUSING AUTHORITY**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**NOVEMBER 21, 2006**