

Jefferson Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2003



**Auditor of State
Betty Montgomery**

Board of Commissioners
Jefferson Metropolitan Housing Authority

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, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 22, 2004

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JEFFERSON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2003

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Independent Auditors' Report

Board of Directors
Jefferson Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying Financial Statements of Jefferson Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2003, 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 general purposes 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 financial position of Jefferson Metropolitan Housing Authority, Ohio, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1 of the basic financial statements, the Authority adopted the provisions of Government Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of January 1, 2003. This results in a change to the Authority’s format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 4, 2004, 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 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 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 Jefferson 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 Financial Statements. The combining financial data schedule ("FDS") is presented for the purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the 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.
June 4, 2004

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

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 increased by \$476,000 (2%) including results from operations of \$476,000. Net assets were \$19,445,000 at 12/31/02 and \$19,921,000 at 12/31/03.
- Revenues of the entire Authority increased by \$145,000 in 2003. Revenues were \$9,562,000 in 2002 and were \$9,707,000 in 2003.
- Total expenses of the entire Authority increased by \$493,000 in 2003. Total expenses were \$8,775,000 in 2002 and \$9,268,000 in 2003.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

MD&A ~ Management Discussion and Analysis ~
Basic Financial Statement ~ Authority-wide Financial Statements ~
<u>Other Required Supplementary Information</u> ~ 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.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended DECEMBER 31, 2003**

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.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

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 funds 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 Funds

Business Type Funds

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 an 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.

Other Non-major Programs – in addition to the programs above, the Authority also maintains the following:

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended DECEMBER 31, 2003**

Unaudited

Drug Elimination Program – a grant program funded by the Department of Housing and Urban Development that is intended to reduce the use of illegal drugs within the Authority's properties.

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.

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)**

Capital Assets	16,295	15,553	742
Total Assets	\$22,100	\$21,910	\$190
Current Liabilities	\$639	\$734	(\$95)
Long-Term Liabilities	1,540	1,731	(191)
Total Liabilities	2,179	2,465	(286)
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	14,875	15,553	(678)
Unrestricted	5,046	3,892	1,154
Total Net Assets	19,921	19,445	476
Total Liabilities & Net Assets	\$22,100	\$21,910	\$190

For more detailed information see the Statement of Net Assets.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended DECEMBER 31, 2003**

Unaudited

Major Factors Affecting the Statement of Net Assets

During 2003 current assets decreased by \$552,000 and current liabilities decreased by \$180,000. The current assets decrease was due to paying off portions of Bonds and also reducing S/T payables. The current liabilities were reduced due to a reduction in S/T payables.

During 2003 Net Capital Assets increased by \$742,000. This was due to a large amount of expenditures from the Capital Fund Program.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(TABLE 2&3)**

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)

Revenues					
Tenant Revenue – Rents and Other	\$	1,074	\$	1,128	\$ (54)
Operating Subsidies and Grants		8,503		7,910	593
Investment Income		110		149	(39)
Other Revenue		20		375	(355)
Total Revenue		9,707		9,562	145
Expenses					
Administrative		1,971		2,260	(289)
Tenant Services		8		3	5
Utilities		773		610	163
Maintenance		1,542		1,383	159
Protective Services		251		84	167
General		379		328	51
Housing Assistance Payments		3,201		3,037	164
Depreciation		1,139		1,070	69
Other Expenses		4		0	4
Total Expenses		9,268		8,775	493
Net Increase	\$	439	\$	787	\$ (348)

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

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

TABLE 3

NET-ASSETS (EQUITY)

The following table shows the change in net assets of Jefferson Metropolitan Housing Authority for FYE 12/31/03:

<u>(in thousands of dollars)</u>	
Net Assets 12/31/02	\$19,445
Net Income – 2003	439
Prior Period Adjustments**	<u>37</u>
Net Assets 12/31/03	<u>\$19,921</u>

**Payable to HUD for year-end reconciliation of utility costs – HUD no longer pays or collects this amount.

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

Total revenues increased by \$145,000 (2%) in 2003. The revenues were enhanced by the fact that we withdrew \$477,000* more from our grants in 2003 and this is considered revenue. The majority of this extra grant withdrawal was for Capital Improvements. This extra grant withdrawals explains part of the reason operating subsidy and grants increased by \$593,000. Also, \$320,000 of Capital Fund income is included in other revenue in 2002. The classification of this item changed to be included in Operating Subsidies and grants. This is the reason for the large decrease in other revenue in 2003.

Total expenses increased in 2003 by \$493,000 (6%). The increase is due to the following reasons:

- 1) Increase in housing assistance payments (Authority paid a higher proportion of rent per family).
- 2) Depreciation expenses increased.
- 3) Utility expenses increased (general trend).
- 4) Maintenance expenses increased (older units cause more expenses).

Administrative expenses decreasing by \$284,000 is due in part to a reclassification of capital fund security costs. These costs are included with protective services.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

The changes in Net Assets reflect the 2003 income and the prior period changes.

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

	2003	2002	Change
Capital Fund Program	\$2,380	\$1,183	\$1,197
Comprehensive Grant Program	0	656	(656)
Drug Elimination Program	103	167	(64)
Service Coord. Program	30	30	0
TOTAL GRANTS	\$2,513	\$2,036	\$477

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 the Capital Fund Grants (CFP) and public housing operating funds (PFS), if continued, will cause property deterioration and operating losses for the Authority.
 - b) Funding restructuring (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 projects.
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) The resident's rents have continued to decline over the past several years. With PFS funding being reduced, this has a negative financial impact on the Authority.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

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). This funding method cost the Authority to be under-funded for utilities in 2003 by \$98,000.

5. Property condition – Elmer White Hi-Rise
At this time, the Authority is aware of major façade problems with this building. There are also other major concerns for this 42-year-old building which are going to have to be addressed. These cost will be substantial.

STRATEGIC PLANS

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

1. 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.

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

3. Security
 - a) A plan to cut security has been drawn up and presented to our Board of Directors.
 - b) Cost of security equipment is being looked into.

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

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

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

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 Types - Enterprise Fund
December 31, 2003

ASSETS

Current assets

Cash and cash equivalents	\$4,099,098
Restricted cash and cash equivalents	1,408,792
Receivables, net	103,568
Inventories, net	62,531
Prepaid expenses and other assets	46,412
Interprogram due from	84,441
<i>Total current assets</i>	<i>5,804,842</i>

Noncurrent assets

Capital assets:	
Land	2,541,310
Building and equipment	35,632,684
Construction in Progress	1,378,654
Less accumulated depreciation	(23,257,788)
<i>Total noncurrent assets</i>	<i>16,294,860</i>
Total assets	\$22,099,702

LIABILITIES

Current liabilities

Bank overdraft	\$1,684
Accounts payable	87,236
Accrued liabilities	147,198
Intergovernmental payables	7,040
Tenant security deposits	108,463
Deferred revenue	80
Bonds, notes, and loans payable	200,000
Other current liabilities	2,564
Interprogram due to	84,441
<i>Total current liabilities</i>	<i>638,706</i>

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

Jefferson Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds Types - Enterprise Fund
December 31, 2003

Noncurrent liabilities

Bonds, notes, and loans payable	1,220,000
Other non-current liabilities	320,020
	1,540,020
Total noncurrent liabilities	1,540,020
Total liabilities	\$2,178,726

NET ASSETS

Invested in capital assets, net of related debt	\$14,874,860
Unrestricted net assets	5,046,116
	19,920,976
Total net assets	\$19,920,976

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, 2003

OPERATING REVENUES

Tenant Revenue	\$1,073,718
Government operating grants	6,744,543
Other revenue	13,444
<i>Total operating revenues</i>	<u>7,831,705</u>

OPERATING EXPENSES

Administrative	1,970,950
Tenant services	8,445
Utilities	772,829
Maintenance	1,541,625
Protective services	251,093
General	283,453
Housing assistance payment	3,201,202
Other operating expenses	4,200
Depreciation	1,139,148
<i>Total operating expenses</i>	<u>9,172,945</u>
Operating income (loss)	<u>(1,341,240)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	110,638
Miscellaneous revenue	6,309
Interest expense	(95,572)
<i>Total nonoperating revenues (expenses)</i>	<u>21,375</u>

Income (loss) before contributions and transfers **(1,319,865)**

Operating transfer In	307,750
Operating transfer Out	(307,750)
Capital grants	1,758,760
<i>Change in net assets</i>	<u>438,895</u>

Total net assets – beginning	19,445,015
Prior period adjustment	37,066
Total net assets – ending	<u>\$19,920,976</u>

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

**Jefferson Metropolitan Housing Authority
 Combined Statement of Cash Flows
 Proprietary Fund Type - Enterprise Fund
 For the Year Ended December 31,2003**

Cash Flows from Operating Activities:	
Cash received from tenants	\$1,086,903
Cash received from grantor	6,654,509
Cash paid to suppliers and employees	(4,983,305)
Cash Paid for Housing Assistance	(3,201,202)
Net cash provided by operating activities	<u>(443,095)</u>
 Cash Flows from Investing Activities:	
Interest received	110,638
Net cash used for Investing Activities	<u>110,638</u>
 Cash Flows from Capital and Financing Activities:	
Capital Grant Received	1,758,760
Property and equipment purchased	(1,866,652)
Retirement of Debt	(190,000)
Net cash used for Capital and Financing Activities	<u>(297,892)</u>
 Net Increase (Decrease) in Cash	 (630,349)
Cash and cash equivalents - Beginning of Year (restated to include investment balance)	6,138,239
 Cash and cash equivalents - End of Year	 <u><u>\$5,507,890</u></u>
 Reconciliation of Net Income to Cash Provided by Operating Activities:	
Net income	(\$1,319,865)
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation	1,139,148
(Increase) Decrease in accounts receivable	(85,370)
(Increase) Decrease in prepaid expenses	(6,266)
(Increase) Decrease in Inventory	5,996
Increase (Decrease) in accounts payable	(177,707)
Increase (Decrease) in deferred revenue	53
Increase (Decrease) in accrued expenses	(3,276)
Increase (Decrease) in tenant security deposit payable	4,192
 Net cash provided by operating activities	 <u><u>(\$443,095)</u></u>

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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 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.

In June 1999, GASB approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Authority has elected to implement GASB 34 early, in the current fiscal year.

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.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 December 31, 2003 totaled \$110,638.

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the termination policy of the Authority for years of service is 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.

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.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (CONTINUED)

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.

Deposits, categorized by level of risk, are:

<u>DESCRIPTION</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash and cash Equivalents	\$4,168,717	\$4,168,717	\$0	\$0	\$4,099,098
Restricted cash and cash equivalents	1,408,792	1,408,792	0	0	1,408,792
Total Deposits	<u>\$5,577,509</u>	<u>\$5,577,509</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,507,890</u>

NOTE 4: 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, 2003 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 5: FIXED ASSETS

The following is a summary:

Land	\$2,541,310
Buildings	32,759,118
Furniture, Machinery and Equipment	2,873,566
Construction in Progress	<u>1,378,654</u>
Total Fixed Assets	39,552,648
Accumulated Depreciation	<u>(23,257,788)</u>
Net Fixed Assets	<u><u>\$16,294,860</u></u>

The following is a summary of changes:

	Balance 12/31/02	Adjust.	Additions	Deletion	Balance 12/31/03
Land	\$2,541,310	\$0	\$0	\$0	\$2,541,310
Buildings	30,685,145	1,487,155	586,818	0	32,759,118
Furnt, Mach. and Equip.	2,711,883	109,629	52,054	0	2,873,566
Construction in Progress	<u>1,747,658</u>	<u>(1,596,784)</u>	<u>1,227,780</u>	<u>0</u>	<u>1,378,654</u>
Total Fixed Assets	<u><u>\$37,685,996</u></u>	<u><u>\$0</u></u>	<u><u>\$1,866,652</u></u>	<u><u>\$0</u></u>	<u><u>\$39,552,648</u></u>

The depreciation expense for the year ended December 31, 2003 was \$1,139,148.

**NOTE 6: 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.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

**NOTE 6: 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 December 31, 2003, 2002 and 2001 were \$249,047, \$187,384, and \$212,798, respectively. The full amount has been contributed for 2002 and 2001. Ninety-three percent has been contributed for 2003, with the remainder being reported as a liability with the enterprise fund.

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2003 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2003 was 5.0 percent of covered payroll, which amounted to \$91,899. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM** (Continued)

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

NOTE 8: PRIOR PERIOD ADJUSTMENTS

Prior period adjustment in total of \$37,066 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:

Low Rent Public Housing:

- Adjustment to the payable to HUD for year end reconciliation	
For utilities expenses	<u>\$37,066</u>

NOTE 9: 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.

NOTE 10: LONG-TERM DEBT

Multifamily Mortgage Revenue Refunding Bonds

The bonds were issued to refund certain bonds issued to finance the acquisition and rehabilitation of a multifamily residential rental project owned by Jefferson Metropolitan Housing Authority (JMHA) for persons of low income located in Steubenville, Ohio. The bonds were secured by a pledge of all rights, title and interest of the Issuer in the Housing Assistance Payment Contract between the United State Department of Housing and Urban Development and JMHA, with the respect of the project and the financing agreement of the owner derived from the operation of the project. No other revenue or assets of JMHA was pledged to the payment of principal and interest of the bonds.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (CONTINUED)

NOTE 10: LONG-TERM DEBT (Continued)

Interest on the bonds is payable on December 1st and June 1st of each year, commencing on December 1, 1994.

The following is a summary of the change in the Long-Term Debt for the year ended December 31, 2003:

<u>Description</u>	<u>Balance 01/01/03</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/03</u>	<u>Due Within One Year</u>
Multifamily Mortgage Revenue Bond	\$1,610,000	\$0	\$190,000	\$1,420,000	\$200,000

Debt maturities for the next five years are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2004	\$200,000
2005	215,000
2006	225,000
2007	245,000
2008	260,000
Later Years	<u>275,000</u>
Total	<u>\$1,420,000</u>

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 11: CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year 2003 the Authority implemented GASB 34. The implementation had no effect on the total enterprise fund equity. However, it did effect the classification of the equity. The table bellow shows the reclassification adjustment necessary.

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Total
Beginning Balance	\$12,118,020	\$7,326,995	\$0	\$0	\$19,445,015
Reclassification- GASB 34	(12,118,020)	(7,326,995)	13,943,319	5,501,696	0
Restated Beginning Balance	0	0	13,943,319	5,501,696	19,445,015
Fixed Assets Addition	0	0	1,866,652	0	1,866,652
Unrestricted Assets used for Fixed Assets	0	0	0	(107,892)	(107,892)
Depreciation Expense	0	0	(1,139,148)	0	(1,139,148)
Debt Principal Payment	0	0	190,000	0	190,000
Unrestricted Assets used for Debt Retirement	0	0	0	(190,000)	(190,000)
Prior Period Adjustment	0	0	14,037	23,029	37,066
Current Year Loss	0	0	0	(180,717)	(180,717)
Ending Net Assets	\$0	\$0	\$14,874,860	\$5,046,116	\$ 19,920,976

Jefferson Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$1,993,146	\$54,673	\$1,999,931	\$0	\$0	\$0	\$51,348	\$0	\$0	\$4,099,098
115	Cash - Restricted for Payment of Current Liabilities	263,111	10,346	274,459	0	0	0	47,378	0	0	595,294
113	Cash - Other Restricted	654,655	0	14,905	0	0	0	35,475	0	0	705,035
114	Cash - Tenant Security Deposits	18,012	0	90,451	0	0	0	0	0	0	108,463
100	Total Cash	2,928,924	65,019	2,379,746	0	0	0	134,201	0	0	5,507,890
122	Accounts Receivable - HUD Other Projects	0	0	0	0	0	0	35,748	0	0	35,748
124	Accounts Receivable - Other Government	0	0	0	0	0	0	0	0	1,375	1,375
125	Accounts Receivable - Miscellaneous	0	0	34,945	0	0	0	553	0	0	35,498
126	Accounts Receivable - Tenants - Dwelling Rents	3,171	0	34,135	0	0	0	0	0	0	37,306
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(1,459)	0	(15,706)	0	0	0	0	0	0	(17,165)
126.2	Allowance for Doubtful Accounts - Other	0	0	0	0	0	0	0	0	0	0
128.1	Allowance for Doubtful Accounts - Fraud	0	0	0	0	0	0	0	0	0	0
129	Accrued Interest Receivable	2,720	0	8,086	0	0	0	0	0	0	10,806
120	Total Receivables, net of allowances for doubtful accounts	4,432	0	61,460	0	0	0	36,301	0	1,375	103,568
142	Prepaid Expenses and Other Assets	0	0	46,412	0	0	0	0	0	0	46,412
143	Inventories	0	0	62,531	0	0	0	0	0	0	62,531
143.1	Allowance for Obsolete Inventories	0	0	0	0	0	0	0	0	0	0
144	Interprogram Due From	22,719	0	61,722	0	0	0	0	0	0	84,441
150	Total Current Assets	2,956,075	65,019	2,611,871	0	0	0	170,502	0	1,375	5,804,842

Jefferson Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
161	Land	70,000	0	2,471,310	0	0	0	0	0	0	2,541,310
162	Buildings	3,731,947	0	29,027,171	0	0	0	0	0	0	32,759,118
163	Furniture, Equipment & Machinery - Dwellings	25,109	0	2,070,353	0	0	0	0	0	0	2,095,462
164	Furniture, Equipment & Machinery - Administration	20,766	0	718,450	0	0	0	38,888	0	0	778,104
165	Leasehold Improvements	0	0	0	0	0	0	0	0	0	0
166	Accumulated Depreciation	(2,018,518)	0	(21,202,907)	0	0	0	(36,363)	0	0	(23,257,788)
167	Construction In Progress	0	0	0	0	0	0	0	1,378,654	0	1,378,654
160	Total Fixed Assets, Net of Accumulated Depreciation	1,829,304	0	13,084,377	0	0	0	2,525	1,378,654	0	16,294,860
190	Total Assets	\$4,785,379	\$65,019	\$15,696,248	\$0	\$0	\$0	\$173,027	\$1,378,654	\$1,375	\$22,099,702
311	Bank Overdraft	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,684	\$1,684
312	Accounts Payable <= 90 Days	9,496	0	77,740	0	0	0	0	0	0	87,236
321	Accrued Wage/Payroll Taxes Payable	6,705	792	76,437	0	0	0	11,767	0	198	95,899
322	Accrued Compensated Absences - Current Portion	353	0	2,714	0	0	0	0	0	0	3,067
325	Accrued Interest Payable	7,544	0	0	0	0	0	0	0	0	7,544
331	Accounts Payable - HUD PHA Programs	0	7,040	0	0	0	0	0	0	0	7,040
341	Tenant Security Deposits	18,012	0	90,451	0	0	0	0	0	0	108,463
342	Deferred Revenues	0	0	80	0	0	0	0	0	0	80
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	200,000	0	0	0	0	0	0	0	0	200,000
345	Other Current Liabilities	686	0	1,878	0	0	0	0	0	0	2,564
346	Accrued Liabilities - Other	15,232	0	25,456	0	0	0	0	0	0	40,688

Jefferson Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
For The Year Ended December 31, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$252,059	\$0	\$814,136	\$0	\$0	\$0	\$0	\$0	\$0	\$1,066,195
704	Tenant Revenue - Other	0	0	7,523	0	0	0	0	0	0	7,523
705	Total Tenant Revenue	252,059	0	821,659	0	0	0	0	0	0	1,073,718
706	HUD PHA Operating Grants	0	403,940	1,820,455	102,772	0	30,000	3,291,042	621,709	0	6,269,918
706.1	Capital Grants	0	0	0	0	0	0	0	1,758,760	0	1,758,760
708	Other Government Grants	452,394	0	0	0	0	0	0	0	22,231	474,625
711	Investment Income - Unrestricted	50,594	0	41,674	0	0	0	384	0	0	92,652
713.1	Cost of Sale of Assets	0	0	0	0	0	0	0	0	0	0
714	Fraud Recovery	0	0	0	0	0	0	529	0	0	529
715	Other Revenue	2,506	0	10,203	0	0	0	206	0	0	12,915
716	Gain/Loss on Sale of Fixed Assets	0	0	6,309	0	0	0	0	0	0	6,309
720	Investment Income - Restricted	17,986	0	0	0	0	0	0	0	0	17,986
700	Total Revenue	775,539	403,940	2,700,300	102,772	0	30,000	3,292,161	2,380,469	22,231	9,707,412
911	Administrative Salaries	91,740	11,908	718,850	22,970	0	0	300,104	34,124	1,757	1,181,453
912	Auditing Fees	761	508	8,249	0	0	0	3,173	0	0	12,691
915	Employee Benefit Contributions - Administrative	36,696	4,763	281,740	9,188	0	0	120,041	13,650	703	466,781
916	Other Operating - Administrative	18,816	3,444	132,813	2,888	0	30,000	41,223	80,841	0	310,025
924	Tenant Services - Other	0	0	5,255	3,190	0	0	0	0	0	8,445
931	Water	16,441	0	126,564	0	0	0	0	0	0	143,005
932	Electricity	53,409	0	171,163	0	0	0	0	0	0	224,572
933	Gas	8,954	0	213,772	0	0	0	0	0	0	222,726
938	Other Utilities Expense	20,929	0	161,597	0	0	0	0	0	0	182,526
941	Ordinary Maintenance and Operations - Labor	76,441	0	550,142	0	0	0	0	0	0	626,583

Jefferson Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
For The Year Ended December 31, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
942	Ordinary Maintenance and Operations - Materials and Other	36,867	0	150,912	0	0	0	0	0	0	187,779
943	Ordinary Maintenance and Operations - Contract Costs	66,148	0	414,921	0	0	0	0	0	0	481,069
945	Employee Benefit Contributions - Ordinary Maintenance	30,576	0	215,618	0	0	0	0	0	0	246,194
951	Protective Services - Labor	0	0	0	64,536	0	0	0	20,047	0	84,583
952	Protective Services - Other Contract Costs	0	0	0	0	0	0	1,213	157,278	0	158,491
955	Employee Benefit Contributions - Protective Services	0	0	0	0	0	0	0	8,019	0	8,019
961	Insurance Premiums	25,129	0	191,201	0	0	0	2,185	0	0	218,515
962	Other General Expenses	3,510	0	0	0	0	0	0	0	0	3,510
963	Payments in Lieu of Taxes	15,232	0	4,579	0	0	0	0	0	0	19,811
964	Bad Debt - Tenant Rents	2,579	0	22,336	0	0	0	0	0	0	24,915
967	Interest Expense	95,572	0	0	0	0	0	0	0	0	95,572
968	Severance Expense	(10,671)	(912)	1,747	0	0	0	25,336	0	1,202	16,702
969	Total Operating Expenses	589,129	19,711	3,371,459	102,772	0	30,000	493,275	313,959	3,662	4,923,967
970	Excess Operating Revenue over Operating Expenses	186,410	384,229	(671,159)	0	0	0	2,798,886	2,066,510	18,569	4,783,445
972	Casualty Losses - Non-Capitalized	0	0	4,200	0	0	0	0	0	0	4,200
973	Housing Assistance Payments	0	371,319	0	0	0	0	2,809,673	0	20,210	3,201,202
974	Depreciation Expense	112,910	0	1,020,878	0	0	0	5,360	0	0	1,139,148
900	Total Expenses	702,039	391,030	4,396,537	102,772	0	30,000	3,308,308	313,959	23,872	9,268,517
1001	Operating Transfers In	0	0	307,750	0	0	0	0	0	0	307,750

Jefferson Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
For The Year Ended December 31, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1002	Operating Transfers Out	0	0	0	0	0	0	0	(307,750)	0	(307,750)
1010	Total Other Financing Sources (Uses)	0	0	307,750	0	0	0	0	(307,750)	0	0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	73,500	12,910	(1,388,487)	0	0	0	(16,147)	1,758,760	(1,641)	438,895
1103	Beginning Equity	3,185,539	36,955	14,606,345	0	982,523	0	19,418	614,805	(570)	19,445,015
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	0	0	2,014,500	0	(982,523)	0	0	(994,911)	0	37,066
	Ending Equity	\$3,259,039	\$49,865	\$15,232,358	\$0	\$0	\$0	\$3,271	\$1,378,654	(\$2,211)	\$19,920,976
1102	Debt Principal Payments - Enterprise Funds	\$190,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$190,000
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$456,168	\$0	\$0	\$0	\$0	\$3,214,758	\$0	\$0	\$3,670,926
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0	0	0	0	0	0	0	0
1115	Contingency Reserve, ACC Program Reserve	0	371,808	0	0	0	0	262,796	0	0	634,604
1116	Total Annual Contributions Available	\$0	\$827,976	\$0	\$0	\$0	\$0	\$3,477,554	\$0	\$0	\$4,305,530
1120	Unit Months Available	1,200	1,104	9,252	0	0	0	9,816	0	82	21,454
1121	Number of Unit Months Leased	1,157	1,104	8,467	0	0	0	9,816	0	82	20,626

Jefferson Metropolitan Housing Authority
Schedule of Expenditure of Federal Award
For the Year Ended December 31, 2003

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development		
Direct Program		
Section 8 New Construction Program	14.182	\$403,940
Low Rent Public Housing	14.850a	1,820,455
Drug Elimination Program	14.854	102,772
Resident Opportunity and Supportive Services	14.870	30,000
Housing choice Voucher Program	14.871	3,291,042
Public Housing Capital Fund Program	14.872	<u>2,380,469</u>
Total Expenditure of Federal Award		<u><u>\$8,028,678</u></u>



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

Board of Directors
Jefferson Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the Financial Statements of the Jefferson Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2003, and have issued my report thereon dated June 4, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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*.

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 assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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



Salvatore Consiglio, CPA, Inc.

June 4, 2004



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

Board of Directors
Jefferson Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

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, 2003. 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.

In my opinion, 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, 2003.

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, CPA, Inc.

June 4, 2004

Jefferson Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any 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	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.850, 14.854, 14.870 & 14.872- Low Rent Public Housing, Drug Elimination, ROSS and Capital Fund Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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There are no Findings or questioned costs for the year ended December 31, 2003.

3. FINDINGS REALTED TO FEDERAL AWARDS
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There are no Findings or questioned costs for the year ended December 31, 2003.

Jefferson Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2003

The audit report for the fiscal year ending December 31, 2002 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 9, 2004**