

Jackson Metropolitan Housing Authority

Financial Statements

For the Year Ended September 30, 2010



Dave Yost • Auditor of State

Board of Commissioners
Jackson Metropolitan Housing Authority
249 West 13th Street
Wellston, Ohio 45692

We have reviewed the *Independent Auditors' Report* of the Jackson Metropolitan Housing Authority, Jackson County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period October 1, 2009 through September 30, 2010. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery

During the audit procedures over tenant housing assistance payments, it was discovered that an error was made in the monthly payments to John W. Zimmerly, landlord, in the total amount of \$1,152. It was explained that recertification was performed and Mr. Zimmerly was notified that the rental assistance payment would change from \$383 per month to \$287 per month. However, something happened to the cause the check amount issued to Mr. Zimmerly not to be changed to the correct amount. No explanation was provided from the software company to explain why the amount did not change. The Metropolitan Housing Authority has contacted Mr. Zimmerly to try to resolve the issue.

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section §117.28, a Finding for Recovery for public money illegally expended is hereby issued against John W. Zimmerly, in the amount of \$1,152, and in favor of the Jackson County Metropolitan Housing Authority Housing Assistant Payment Account.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Re: Jackson Metropolitan Housing Authority
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Accordingly, Cheryl Hayburn, Housing Supervisor, and Arthur J. Gallagher Risk Management Services, Inc, her bonding company, are jointly and severally liable in the amount of \$1,152, and in favor of the Jackson County Metropolitan Housing Authority Housing Assistant Payment Account.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 10, 2011

JACKSON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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Independent Auditors' Report

Board of Commissioners
Jackson Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Jackson Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2010, which collectively comprise the Authority basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Jackson Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic 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 the business-type activities of the Jackson Metropolitan Housing Authority, Ohio, as of September 30, 2010, and the respective change in financial position and 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 my report dated February 2, 2011, on my consideration of the Jackson Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 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 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 basic financial statements that collectively comprise the Jackson Metropolitan Housing Authority 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 statements and certification of actual modernization costs are presented for purposes additional analysis as required by the Department of Housing and Urban Development and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, are fairly presented in all material respect in relation to the financial statements taken as a whole.

Salvatore Consiglio, CPA, Inc.

February 2, 2011

JACKSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

UNAUDITED

The Jackson Metropolitan Housing Authority's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's 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 currently known facts, please read it in conjunction with the Authority's financial statement.

FINANCIAL HIGHLIGHTS

- The Authority's net assets increased by \$186,521 (or 3.58 %) during 2010, resulting from change from Operations. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$5,399,876 and \$5,213,355 for 2010 and 2009 respectively.
- Revenues increased by \$381,950 (or 20.85%) during 2010, and were \$2,213,628 and \$1,831,678 for 2010 and 2009 respectively.
- The total expenses of all Authority programs increased by \$77,426 (or 3.97%). Total expenses were \$2,027,107 and \$1,949,681 for 2010 and 2009 respectively.

USING THIS ANNUAL REPORT

This Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary information":

| |
|---|
| <p style="text-align: center;">MD&A ~Management's Discussion and Analysis – pgs 3-11~</p> |
| <p style="text-align: center;">Basic Financial Statement ~Authority Financial Statements – pgs 12-16~</p> |
| <p style="text-align: center;">Other Required Supplementary Information ~Required Supplementary Information pgs 30-37~ (Other than the MD&A)</p> |

JACKSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

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Authority Financial Statements

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

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

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

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

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

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related or Debt", or "Restricted Net Assets".

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

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.

JACKSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

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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 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.

Economic Development and Supportive Services Program – a grant program funded by the Department of Housing and Urban Development that encourages economic self-sufficiency among the Authority's resident population.

Business Activity – Business activity represent other services that the PHA provides to Jackson Metropolitan Housing Authority for a fee and services that the PHA provides to the County. The revenue and expenses for these services are identified and tracked separate from the HUD activities.

AUTHORITY STATEMENTS

Statement of Net Assets

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

JACKSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

UNAUDITED

TABLE 1

STATEMENT OF NET ASSETS

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

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| Current and Other Assets | \$ 1,343,920 | \$ 1,240,553 |
| Capital Assets | <u>4,417,502</u> | <u>4,353,282</u> |
| Total Assets | <u>\$ 5,761,422</u> | <u>\$ 5,593,835</u> |
| Current Liabilities | \$ 143,882 | \$ 127,335 |
| Long-Term Liabilities | <u>217,664</u> | <u>253,145</u> |
| Total Liabilities | <u>361,546</u> | <u>380,480</u> |
| Net Assets: | | |
| Investment in Capital Assets, net of Related Debt | 4,202,968 | 4,112,185 |
| Restricted Net Assets | 69,032 | 59,150 |
| Unrestricted Net Assets | <u>1,127,876</u> | <u>1,042,020</u> |
| Total Net Assets | <u>5,399,876</u> | <u>5,213,355</u> |
| Total Liabilities and Net Assets | <u>\$ 5,761,422</u> | <u>\$ 5,593,835</u> |

Major Factors Affecting the Statement of Net Assets

During 2010, current and other assets increased by \$103,367, and total liabilities decreased by \$18,934. The current and other assets, primarily cash and investments, increased due to result from operation. Total liabilities decrease due to the payment on debt, the write-off of deferred revenue and changes in compensated absence.

Capital assets also changed, increasing from \$4,353,282 to \$4,417,502. The \$64,220 increase may be contributed primarily to current year depreciation expense and purchase of current year assets.

JACKSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

UNAUDITED

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

Table 2 presents details on the change in Unrestricted Net Assets

Table 2 - Changes of Unrestricted Net Assets

| | | |
|--|----|-------------------------|
| Beginning Balance - September 30, 2009 | \$ | 1,042,020 |
| Results of Operation | | 186,521 |
| Adjustments: | | |
| Current year Depreciation Expense (1) | | 395,684 |
| Capital Expenditure (2) | | (459,904) |
| Retirement of Debt | | (26,563) |
| Transfer to Restricted Net Assets | | <u>(9,882)</u> |
| Ending Balance - September 30, 2010 | \$ | <u><u>1,127,876</u></u> |

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

- (2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

JACKSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

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| | <u>2010</u> | <u>2009</u> |
|----------------------------------|--------------------------|----------------------------|
| <u>Revenues</u> | | |
| Total Tenant Revenues | \$ 284,608 | \$ 266,357 |
| Operating Subsidies | 1,456,610 | 1,462,780 |
| Capital Grants | 391,819 | 18,712 |
| Investment Income | 24,928 | 31,506 |
| Other Revenues | 55,663 | 52,323 |
| Total Revenues | <u>2,213,628</u> | <u>1,831,678</u> |
| <u>Expenses</u> | | |
| Administrative | 432,148 | 420,566 |
| Utilities | 151,209 | 155,615 |
| Maintenance | 347,212 | 310,493 |
| Protective Services | - | 2,518 |
| General and Interest Expenses | 101,997 | 98,291 |
| Housing Assistance Payments | 598,857 | 594,209 |
| Depreciation | 395,684 | 367,989 |
| Total Expenses | <u>2,027,107</u> | <u>1,949,681</u> |
| Net Increases (Decreases) | <u>\$ 186,521</u> | <u>\$ (118,003)</u> |

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

Total revenue increased compared to the prior year due to the fact that capital grants increased by \$373,107 while HUD operating revenue decreased by \$6,170 in 2010. Tenant revenue increased by \$18,251 during the year.

The expenses increased by \$77,426 in current year. The main cause for the increase were in maintenance \$36,719, administrative \$11,582 and depreciation expense \$27,695.

JACKSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

UNAUDITED

CAPITAL ASSETS

Capital Assets

As of year end, the Authority had \$4,417,502 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease due to depreciation expense. See table 5 for detail of current year change.

TABLE 4

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

| | <u>2010</u> | <u>2009</u> |
|--------------------------|--------------------------------|--------------------------------|
| Land and Land Rights | \$ 189,315 | \$ 189,315 |
| Buildings | 10,620,693 | 10,085,506 |
| Equipment | 275,189 | 249,213 |
| Construction in Progress | - | 131,257 |
| Accumulated Depreciation | <u>(6,667,695)</u> | <u>(6,302,009)</u> |
| Total | <u><u>\$ 4,417,502</u></u> | <u><u>\$ 4,353,282</u></u> |

The following reconciliation summarizes the change in Capital Assets, which presented in detail on page 24 of the notes.

TABLE 5

CHANGE IN CAPITAL ASSETS

Table 5 - Changes in Capital Assets

| | | |
|---|--------|-----------------------------|
| Beginning Balance - September 30, 2009 | \$ | 4,112,185 |
| Current year Additions | | 459,904 |
| Current Year Debt Payments | | 26,563 |
| Current year Depreciation Expense | | <u>(395,684)</u> |
| Ending Balance - September 30, 2010 | \$ | <u><u>4,202,968</u></u> |

JACKSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

UNAUDITED

Current year Additions are summarized as follows:

| | | |
|-------------------------------|--------|---------------------------|
| Retaining Wall Project | \$ | 244,360 |
| Computers | | 2,583 |
| Kitchen & Bathroom Remodeling | | 151,966 |
| Windows Project | | 1,855 |
| Replacing doors at Cambrian | | 5,750 |
| Two Pickup Trucks | | <u>53,390</u> |
| Total 2010 Additions | \$ | <u><u>459,904</u></u> |

Debt Outstanding

As of year-end, the Authority has \$214,534 in debt (mortgages) outstanding compared to \$241,097 prior year.

TABLE 6

CONDENSED STATEMENT OF CHANGE IN DEBT OUTSTANDING

Table 6 - Condensed Statement of Changes in Debt Outstanding

| | | |
|---|--------|---------------------------|
| Beginning Balance - September 30, 2009 | \$ | 241,097 |
| Current Year Principal Payments | | <u>(26,563)</u> |
| Ending Balance - September 30, 2010 | \$ | <u><u>214,534</u></u> |

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

JACKSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

UNAUDITED

FINANCIAL CONTACT

The individual to be contacted regarding this report is Gary Keller, Executive Director of the Jackson Metropolitan Housing Authority, at (740) 384-5627. Specific requests may be submitted to the Jackson Metropolitan Housing Authority at 249 W. Thirteenth Street PO Box 619, Wellston, Ohio 45692.

Jackson Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds
September 30, 2010

ASSETS

Current assets

| | |
|--------------------------------------|-------------------------|
| Cash and cash equivalents | \$1,232,998 |
| Restricted cash and cash equivalents | 104,266 |
| Receivables, net | 1,435 |
| Prepaid expenses and other assets | 5,221 |
| Total current assets | <u>1,343,920</u> |

Noncurrent assets

| | |
|--------------------------------|----------------------------------|
| Capital assets: | |
| Land | 189,315 |
| Building and equipment | 10,895,882 |
| Less accumulated depreciation | <u>(6,667,695)</u> |
| Total noncurrent assets | <u>4,417,502</u> |
| Total assets | <u><u>\$5,761,422</u></u> |

LIABILITIES

Current liabilities

| | |
|--------------------------------------|-----------------------|
| Accounts payable | \$34,270 |
| Accrued liabilities | 21,473 |
| Accrued compensated absences current | 30,434 |
| Intergovernmental payables | 13,443 |
| Tenant security deposits | 16,468 |
| Bonds, notes, and loans payable | 27,794 |
| Total current liabilities | <u>143,882</u> |

Noncurrent liabilities

| | |
|--|--------------------------------|
| Bonds, notes, and loans payable | 186,740 |
| Accrued compensated absences non-current | 12,158 |
| Noncurrent liabilities - other | 18,766 |
| Total noncurrent liabilities | <u>217,664</u> |
| Total liabilities | <u><u>\$361,546</u></u> |

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

**Jackson County Metropolitan Housing Authority
Statement of Net Assets (Continued)
Proprietary Funds
September 30, 2010**

NET ASSETS

| | |
|---|----------------------------------|
| Invested in capital assets, net of related debt | \$4,202,968 |
| Restricted net assets | 69,032 |
| Unrestricted net assets | 1,127,876 |
| Total net assets | <u><u>\$5,399,876</u></u> |

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

Jackson Metropolitan Housing Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2010

OPERATING REVENUES

| | |
|---------------------------------|-------------------------|
| Tenant Revenue | \$284,608 |
| Government operating grants | 1,456,610 |
| Other revenue | 41,573 |
| Total operating revenues | <u>1,782,791</u> |

OPERATING EXPENSES

| | |
|---------------------------------|-------------------------|
| Administrative | 432,148 |
| Utilities | 151,209 |
| Maintenance | 347,212 |
| General | 91,599 |
| Housing assistance payment | 598,857 |
| Depreciation | 395,684 |
| Total operating expenses | <u>2,016,709</u> |
| Operating income (loss) | <u>(233,918)</u> |

NONOPERATING REVENUES (EXPENSES)

| | |
|--|----------------------------------|
| Interest and investment revenue | 24,928 |
| Interest expense | (10,398) |
| Total nonoperating revenues (expenses) | <u>14,530</u> |
| Income (loss) before contributions and transfers | (219,388) |
| | |
| Capital Grants | 391,819 |
| Gain from sale of capital assets | 14,090 |
| Change in net assets | 186,521 |
| Total net assets - beginning | 5,213,355 |
| Total net assets - ending | <u><u>\$5,399,876</u></u> |

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

**Jackson Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended September 30, 2010**

| | |
|---|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Operating grants received | \$1,458,210 |
| Tenant revenue received | 284,888 |
| Other revenue received | 41,573 |
| General and administrative expenses paid | (1,014,866) |
| Housing assistance payments | <u>(598,857)</u> |
| Net cash provided (used) by operating activities | <u>170,948</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest earned | <u>24,928</u> |
| Net cash provided (used) by investing activities | <u>24,928</u> |
| CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES | |
| Capital grant funds received | 391,819 |
| Proceeds from Sale of Asset | 14,090 |
| Property and equipment purchased | (459,904) |
| Principal Payment | (26,563) |
| Interest Paid on Debt | <u>(10,398)</u> |
| Net cash provided (used) by financing activities | <u>(90,956)</u> |
| Net increase (decrease) in cash | 104,920 |
| Cash and cash equivalents - Beginning of year | <u>1,232,344</u> |
| Cash and cash equivalents - End of year | <u><u>\$1,337,264</u></u> |

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

Jackson Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended September 30, 2010

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | |
|---|------------------|
| Net Operating Income (Loss) | (\$233,918) |
| Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities | |
| - Depreciation | 395,684 |
| - (Increases) Decreases in Accounts Receivable | 1,160 |
| - (Increases) Decreases in Prepaid Assets | 393 |
| - Increases (Decreases) in Accounts Payable | 13,366 |
| - Increases (Decreases) in Accounts Payable - Intergovernmental | 2,264 |
| - Increases (Decreases) in Accrued Compensated Absence | 1,758 |
| - Increases (Decreases) in Accrued Expenses Payable | (2,307) |
| - Increases (Decreases) in Deferred Revenue | (1,421) |
| - Increases (Decreases) in Other Liabilities | (6,031) |
| | (6,031) |
| Net cash provided by operating activities | \$170,948 |

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

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

The Jackson Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Basis of Presentation

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

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 following are the various programs which are included in the single enterprise fund:

A. Public Housing Program

The public housing program is designed to provide low-cost housing within the 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. Business Activity

Business activity represents other services that the PHA provides to Jackson Metropolitan Housing Authority for a fee and services that the PHA provides to the County. The revenue and expenses for these services are identified and tracked separate from the HUD activities.

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending September 30, 2010 totaled \$24,928.

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. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

| | |
|------------------------------------|------------|
| Buildings | 40 year |
| Buildings Improvements | 15 years |
| Furniture, equipment and machinery | 3-15 years |

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.

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

Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less. The Authority places its temporary cash investments with high credit quality financial institutions. Amounts in excess of FDIC insurance limits are fully collateralized.

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Budgetary Accounting

The Authority is required by contractual agreements to adopt annual operating budgets for all its HUD funded programs. The budget for its programs is prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The Board of Commissioners adopts the budget through passage of a budget resolution.

Accounting and Reporting for Non-exchange Transactions

The Authority accounts for non-exchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions. Non-exchange transactions occur when the Authority receives (or gives) value without directly giving (or receiving) equal value in return.

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In conformity with the requirements of GASB 33, the Authority has recognized grant funds expended for capitalizable capital assets acquired after September 30, 2000 as revenues and the related depreciation thereon, as expenses in the accompanying Combined Statement of Revenue and Expenses.

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.
- 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 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.

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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

At fiscal year end September 30, 2010, the carrying amount of the Authority’s deposits totaled \$1,337,264 and its bank balance was \$1,340,488. Based on the criteria described in GASB Statement No. 40, “Deposit and Investment Risk Disclosure,” as of September 30, 2010, \$744,787 was exposed to custodial risk as discussed below, while \$595,701 was covered by the Federal Depository Insurance Corporation. Of the carrying amount, \$250 represents petty cash.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

NOTE 3: RESTRICTED CASH

Restricted cash as of September 30, 2010 represent money held that can only be used for specific purpose or money held on behalf of the tenants:

| | |
|--|-------------------------|
| Cash advance by HUD that is to be used for the Housing Assistance Payments | \$69,032 |
| Tenant security deposit | 16,468 |
| Money held for Tenant FSS escrow | <u>18,766</u> |
| Total Restricted Cash Balance | <u><u>\$104,266</u></u> |

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

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 September 30, 2010 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 5: CAPITAL ASSETS

The following is a summary of changes:

| | Balance 09/30/09 | Adj. | Additions | Deletions | Balance 09/30/10 |
|--|---------------------|--------------------|------------------|-----------------|---------------------|
| Capital Assets Not Being Depreciated: | | | | | |
| Land | \$189,315 | 0 | \$0 | \$0 | \$189,315 |
| Construction in Progress | 131,257 | (\$131,257) | 0 | 0 | 0 |
| Total Capital Assets Not Being Depreciated | 320,572 | (\$131,257) | 0 | 0 | 189,315 |
| Capital Assets Being Depreciated: | | | | | |
| Buildings | 10,085,506 | 131,257 | 403,930 | 0 | 10,620,693 |
| Furnt, Mach. and Equip. | 249,213 | 0 | 55,974 | (29,998) | 275,189 |
| Total Capital Assets Being Depreciated | 10,334,719 | 131,257 | 459,904 | (29,998) | 10,895,882 |
| Accumulated Depreciation: | | | | | |
| Buildings | (6,124,107) | 0 | (360,025) | 0 | (6,484,132) |
| Furnt, Mach. and Equip. | (177,902) | 0 | (35,659) | 29,998 | (183,563) |
| Total Accumulated Depreciation | (6,302,009) | 0 | (395,684) | 29,998 | (6,667,695) |
| Total Capital Assets Being Depreciated, Net | 4,032,710 | 131,257 | 64,220 | 0 | 4,228,187 |
| Total Capital Assets, Net | \$4,353,282 | \$0 | \$64,220 | \$0 | \$4,417,502 |

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

**NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

Ohio Public Employees Retirement System

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPER administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Effective January 1, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate for 2010 and 2009 was 14.0 percent of covered payroll.

The Authority's required contributions to OPERS for the years ended September 30, 2010, 2009, and 2008 were \$37,869, \$39,453, and \$35,951, respectively. The full amount has been contributed for 2010.

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

NOTE 7: POSTEMPLOYMENT BENEFITS

A. Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan does not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

NOTE 7: POSTEMPLOYMENT BENEFITS (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010 and 2009, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from October 1, 2009 through February 28, 2010 and 5.0% from March 1 through September 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Actual Authority contributions for the year ended September 30, 2010, which were used to fund post-employment benefits were \$14,093.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006 to January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 8: LONG-TERM DEBT

Jackson Metropolitan Housing Authority entered into an energy performance contract with Chevron Energy Solution Company for \$341,475. CitiMortgage, Inc. provides the financing source for the project. The term of the loan is 12 year with a fixed interest rate of 4.54%. The loan is paid back in monthly installments of \$3,080.05. The outstanding loan balance as of September 30, 2010 is \$214,534.

The following is a summary of changes in long-term debt for the year ended September 30, 2010:

| DESCRIPTION | BALANCE | | | BALANCE 09/30/09 | Due Within One Year |
|--------------|-----------|--------|----------|---------------------|------------------------|
| | 09/30/08 | ISSUED | RETIRED | | |
| Loan Payable | \$241,097 | \$0 | \$26,563 | \$214,534 | \$27,794 |

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

NOTE 8: LONG-TERM DEBT (Continued)

Debt maturities for the period after September 30, 2010 are as follows:

| <u>Years – September 30,</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------|------------------|-----------------|
| 2011 | \$27,794 | \$9,167 |
| 2012 | 29,142 | 7,819 |
| 2013 | 30,490 | 6,471 |
| 2014 | 31,779 | 5,182 |
| 2015 | 33,127 | 3,834 |
| 2016 to 2020 | 62,202 | 2,615 |
| Total | \$214,534 | \$35,088 |

NOTE 9: COMPENSATED ABSENCES

Employees earn 2-5 weeks of annual vacation leave per calendar year, based on years of service. Annual leave may be taken after 1 year of employment. As of September 30, 2010, the accrual for compensated absences totaled \$10,623 and has been included in the accrued liabilities account balance in the accompanying Statement of Net Assets. The Authority considers all compensated absences payable as due within one year.

The following is a summary of changes in compensated absence for the year ended September 30, 2010:

| <u>Description</u> | <u>Balance</u> <u>09/30/09</u> | <u>Additions</u> | <u>Deletion</u> | <u>Balance</u> <u>09/30/09</u> | <u>Due Within</u> <u>One Year</u> |
|---------------------|-----------------------------------|------------------|-----------------|-----------------------------------|--------------------------------------|
| Compensated Absence | \$40,834 | \$10,623 | (\$8,865) | \$42,592 | \$30,434 |

NOTE 10: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of expenditure of Federal Awards is a summary of the activity of the Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting.

JACKSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

NOTE 11: CONTINGENCIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at September 30, 2010.

Litigations and Claims

In the normal course of operations the PHA may be subject to litigation and claims. At September 30, 2010 the PHA was involved in such matters. While the outcome of these matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

NOTE 12: CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2010, the Authority implemented GASB Statement No. 51, Accounting and Reporting for Intangible Assets, GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, and GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies.

The implementation of GASB Statements No. 51, No. 54, No. 55, No. 56, and No. 58 did not affect the presentation of the financial statements of the Authority.

Jackson Metropolitan Housing Authority

FDS Schedule Submitted to REAC

Proprietary Fund Type - Enterprise Fund

September 30, 2010

| | Project Total | 14.871 Housing Choice Vouchers | 1 Business Activities | 14.885 Formula Capital Fund Stimulus Grant | Subtotal | ELIM | Total |
|--|---------------|-----------------------------------|--------------------------|--|---------------|-----------|---------------|
| 111 Cash - Unrestricted | \$1,017,658 | \$150,931 | \$64,409 | \$0 | \$1,232,998 | \$0 | \$1,232,998 |
| 113 Cash - Other Restricted | \$0 | \$87,798 | \$0 | \$0 | \$87,798 | \$0 | \$87,798 |
| 114 Cash - Tenant Security Deposits | \$16,468 | \$0 | \$0 | \$0 | \$16,468 | \$0 | \$16,468 |
| 100 Total Cash | \$1,034,126 | \$238,729 | \$64,409 | \$0 | \$1,337,264 | \$0 | \$1,337,264 |
| 126 Accounts Receivable - Tenants | \$5,770 | \$0 | \$0 | \$0 | \$5,770 | \$0 | \$5,770 |
| 126.1 Allowance for Doubtful Accounts -Tenants | (\$4,335) | \$0 | \$0 | \$0 | (\$4,335) | \$0 | (\$4,335) |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$1,435 | \$0 | \$0 | \$0 | \$1,435 | \$0 | \$1,435 |
| 142 Prepaid Expenses and Other Assets | \$5,221 | \$0 | \$0 | \$0 | \$5,221 | \$0 | \$5,221 |
| 144 Inter Program Due From | \$9,639 | \$0 | \$0 | \$0 | \$9,639 | (\$9,639) | \$0 |
| 150 Total Current Assets | \$1,050,421 | \$238,729 | \$64,409 | \$0 | \$1,353,559 | (\$9,639) | \$1,343,920 |
| 161 Land | \$189,315 | \$0 | \$0 | \$0 | \$189,315 | \$0 | \$189,315 |
| 162 Buildings | \$10,620,693 | \$0 | \$0 | \$0 | \$10,620,693 | \$0 | \$10,620,693 |
| 164 Furniture, Equipment & Machinery - Administration | \$249,493 | \$23,526 | \$2,170 | \$0 | \$275,189 | \$0 | \$275,189 |
| 166 Accumulated Depreciation | (\$6,642,154) | (\$23,526) | (\$2,015) | \$0 | (\$6,667,695) | \$0 | (\$6,667,695) |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$4,417,347 | \$0 | \$155 | \$0 | \$4,417,502 | \$0 | \$4,417,502 |
| 180 Total Non-Current Assets | \$4,417,347 | \$0 | \$155 | \$0 | \$4,417,502 | \$0 | \$4,417,502 |

Jackson Metropolitan Housing Authority

FDS Schedule Submitted to REAC

Proprietary Fund Type - Enterprise Fund

September 30, 2010

| | Project Total | 14.871 Housing Choice Vouchers | 1 Business Activities | 14.885 Formula Capital Fund Stimulus Grant | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|--------------------------|--|-------------|-----------|-------------|
| 190 Total Assets | \$5,467,768 | \$238,729 | \$64,564 | \$0 | \$5,771,061 | (\$9,639) | \$5,761,422 |
| 312 Accounts Payable <= 90 Days | \$31,131 | \$3,139 | \$0 | \$0 | \$34,270 | \$0 | \$34,270 |
| 321 Accrued Wage/Payroll Taxes Payable | \$21,473 | | \$0 | \$0 | \$21,473 | \$0 | \$21,473 |
| 322 Accrued Compensated Absences - Current Portion | \$21,960 | \$8,474 | \$0 | \$0 | \$30,434 | \$0 | \$30,434 |
| 333 Accounts Payable - Other Government | \$13,443 | \$0 | \$0 | \$0 | \$13,443 | \$0 | \$13,443 |
| 341 Tenant Security Deposits | \$16,468 | \$0 | \$0 | \$0 | \$16,468 | \$0 | \$16,468 |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds | \$27,794 | \$0 | \$0 | \$0 | \$27,794 | \$0 | \$27,794 |
| 347 Inter Program - Due To | \$0 | \$9,639 | \$0 | \$0 | \$9,639 | (\$9,639) | \$0 |
| 310 Total Current Liabilities | \$132,269 | \$21,252 | \$0 | \$0 | \$153,521 | (\$9,639) | \$143,882 |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | \$186,740 | \$0 | \$0 | \$0 | \$186,740 | \$0 | \$186,740 |
| 353 Non-current Liabilities - Other | \$0 | \$18,766 | \$0 | \$0 | \$18,766 | \$0 | \$18,766 |
| 354 Accrued Compensated Absences - Non Current | \$8,773 | \$3,385 | \$0 | \$0 | \$12,158 | \$0 | \$12,158 |
| 350 Total Non-Current Liabilities | \$195,513 | \$22,151 | \$0 | \$0 | \$217,664 | \$0 | \$217,664 |
| 300 Total Liabilities | \$327,782 | \$43,403 | \$0 | \$0 | \$371,185 | (\$9,639) | \$361,546 |
| 508.1 Invested In Capital Assets, Net of Related Debt | \$4,202,813 | \$0 | \$155 | \$0 | \$4,202,968 | \$0 | \$4,202,968 |
| 511.1 Restricted Net Assets | \$0 | \$69,032 | \$0 | \$0 | \$69,032 | \$0 | \$69,032 |
| 512.1 Unrestricted Net Assets | \$937,173 | \$126,294 | \$64,409 | \$0 | \$1,127,876 | \$0 | \$1,127,876 |

Jackson Metropolitan Housing Authority

FDS Schedule Submitted to REAC

Proprietary Fund Type - Enterprise Fund

September 30, 2010

| | Project Total | 14.871 Housing Choice Vouchers | 1 Business Activities | 14.885 Formula Capital Fund Stimulus Grant | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|--------------------------|--|-------------|-----------|-------------|
| 513 Total Equity/Net Assets | \$5,139,986 | \$195,326 | \$64,564 | \$0 | \$5,399,876 | \$0 | \$5,399,876 |
| 600 Total Liabilities and Equity/Net Assets | \$5,467,768 | \$238,729 | \$64,564 | \$0 | \$5,771,061 | (\$9,639) | \$5,761,422 |
| 70300 Net Tenant Rental Revenue | \$284,271 | \$0 | \$0 | \$0 | \$284,271 | \$0 | \$284,271 |
| 70400 Tenant Revenue - Other | \$337 | \$0 | \$0 | \$0 | \$337 | \$0 | \$337 |
| 70500 Total Tenant Revenue | \$284,608 | \$0 | \$0 | \$0 | \$284,608 | \$0 | \$284,608 |
| 70600 HUD PHA Operating Grants | \$653,589 | \$773,143 | \$0 | \$29,878 | \$1,456,610 | \$0 | \$1,456,610 |
| 70610 Capital Grants | \$141,626 | \$0 | \$0 | \$250,193 | \$391,819 | \$0 | \$391,819 |
| 71100 Investment Income - Unrestricted | \$20,244 | \$4,436 | \$189 | \$0 | \$24,869 | \$0 | \$24,869 |
| 71400 Fraud Recovery | \$0 | \$465 | \$0 | \$0 | \$465 | \$0 | \$465 |
| 71500 Other Revenue | \$3,747 | \$0 | \$37,361 | \$0 | \$41,108 | \$0 | \$41,108 |
| 71600 Gain or Loss on Sale of Capital Assets | \$14,090 | \$0 | \$0 | \$0 | \$14,090 | \$0 | \$14,090 |
| 72000 Investment Income - Restricted | \$0 | \$59 | \$0 | \$0 | \$59 | \$0 | \$59 |
| 70000 Total Revenue | \$1,117,904 | \$778,103 | \$37,550 | \$280,071 | \$2,213,628 | \$0 | \$2,213,628 |
| 91100 Administrative Salaries | \$133,482 | \$73,642 | \$16,465 | \$29,878 | \$253,467 | \$0 | \$253,467 |
| 91200 Auditing Fees | \$6,386 | \$2,200 | \$0 | \$0 | \$8,586 | \$0 | \$8,586 |
| 91500 Employee Benefit contributions - Administrative | \$70,447 | \$23,525 | \$0 | \$0 | \$93,972 | \$0 | \$93,972 |
| 91600 Office Expenses | \$16,668 | \$4,957 | \$748 | \$0 | \$22,373 | \$0 | \$22,373 |
| 91700 Legal Expense | \$7,128 | \$0 | \$0 | \$0 | \$7,128 | \$0 | \$7,128 |

Jackson Metropolitan Housing Authority

FDS Schedule Submitted to REAC

Proprietary Fund Type - Enterprise Fund

September 30, 2010

| | Project Total | 14.871 Housing Choice Vouchers | 1 Business Activities | 14.885 Formula Capital Fund Stimulus Grant | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|--------------------------|--|-----------|------|-----------|
| 91800 Travel | \$10,456 | \$6,000 | \$0 | \$0 | \$16,456 | \$0 | \$16,456 |
| 91900 Other | \$24,779 | \$5,387 | \$0 | \$0 | \$30,166 | \$0 | \$30,166 |
| 91000 Total Operating - Administrative | \$269,346 | \$115,711 | \$17,213 | \$29,878 | \$432,148 | \$0 | \$432,148 |
| 93100 Water | \$36,553 | \$257 | \$0 | \$0 | \$36,810 | \$0 | \$36,810 |
| 93200 Electricity | \$58,727 | \$591 | \$0 | \$0 | \$59,318 | \$0 | \$59,318 |
| 93300 Gas | \$24,156 | \$188 | \$0 | \$0 | \$24,344 | \$0 | \$24,344 |
| 93600 Sewer | \$30,737 | \$0 | \$0 | \$0 | \$30,737 | \$0 | \$30,737 |
| 93000 Total Utilities | \$150,173 | \$1,036 | \$0 | \$0 | \$151,209 | \$0 | \$151,209 |
| 94100 Ordinary Maintenance and Operations - Labor | \$112,595 | \$0 | \$0 | \$0 | \$112,595 | \$0 | \$112,595 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$136,450 | \$0 | \$0 | \$0 | \$136,450 | \$0 | \$136,450 |
| 94300 Ordinary Maintenance and Operations Contracts | \$49,389 | \$224 | \$0 | \$0 | \$49,613 | \$0 | \$49,613 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$48,554 | \$0 | \$0 | \$0 | \$48,554 | \$0 | \$48,554 |
| 94000 Total Maintenance | \$346,988 | \$224 | \$0 | \$0 | \$347,212 | \$0 | \$347,212 |
| 96110 Property Insurance | \$29,063 | \$0 | \$0 | \$0 | \$29,063 | \$0 | \$29,063 |
| 96120 Liability Insurance | \$0 | \$6,000 | \$0 | \$0 | \$6,000 | \$0 | \$6,000 |
| 96130 Workmen's Compensation | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 96100 Total insurance Premiums | \$29,063 | \$6,000 | \$0 | \$0 | \$35,063 | \$0 | \$35,063 |
| 96200 Other General Expenses | \$0 | \$0 | \$39,009 | \$0 | \$39,009 | \$0 | \$39,009 |

Jackson Metropolitan Housing Authority

FDS Schedule Submitted to REAC

Proprietary Fund Type - Enterprise Fund

September 30, 2010

| | Project Total | 14.871 Housing Choice Vouchers | 1 Business Activities | 14.885 Formula Capital Fund Stimulus Grant | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|--------------------------|--|-------------|-------------|-------------|
| 96210 Compensated Absences | \$2,307 | (\$549) | \$0 | \$0 | \$1,758 | \$0 | \$1,758 |
| 96300 Payments in Lieu of Taxes | \$13,443 | \$0 | \$0 | \$0 | \$13,443 | \$0 | \$13,443 |
| 96400 Bad debt - Tenant Rents | \$2,326 | \$0 | \$0 | \$0 | \$2,326 | \$0 | \$2,326 |
| 96500 Bad debt - Mortgages | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 96600 Bad debt - Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 96800 Severance Expense | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 96000 Total Other General Expenses | \$18,076 | (\$549) | \$39,009 | \$0 | \$56,536 | \$0 | \$56,536 |
| 96710 Interest of Mortgage (or Bonds) Payable | \$10,398 | \$0 | \$0 | \$0 | \$10,398 | \$0 | \$10,398 |
| 96700 Total Interest Expense and Amortization Cost | \$10,398 | \$0 | \$0 | \$0 | \$10,398 | \$0 | \$10,398 |
| 96900 Total Operating Expenses | \$824,044 | \$122,422 | \$56,222 | \$29,878 | \$1,032,566 | \$0 | \$1,032,566 |
| 97000 Excess of Operating Revenue over Operating Expenses | \$293,860 | \$655,681 | (\$18,672) | \$250,193 | \$1,181,062 | \$0 | \$1,181,062 |
| 97300 Housing Assistance Payments | \$0 | \$598,857 | \$0 | \$0 | \$598,857 | \$0 | \$598,857 |
| 97400 Depreciation Expense | \$394,906 | \$468 | \$310 | \$0 | \$395,684 | \$0 | \$395,684 |
| 90000 Total Expenses | \$1,218,950 | \$721,747 | \$56,532 | \$29,878 | \$2,027,107 | \$0 | \$2,027,107 |
| 10093 Transfers between Program and Project - In | \$250,193 | \$0 | \$0 | \$0 | \$250,193 | (\$250,193) | \$0 |
| 10094 Transfers between Project and Program - Out | \$0 | \$0 | \$0 | (\$250,193) | (\$250,193) | \$250,193 | \$0 |
| 10100 Total Other financing Sources (Uses) | \$250,193 | \$0 | \$0 | (\$250,193) | \$0 | \$0 | \$0 |

Jackson Metropolitan Housing Authority

FDS Schedule Submitted to REAC

Proprietary Fund Type - Enterprise Fund

September 30, 2010

| | Project Total | 14.871 Housing Choice Vouchers | 1 Business Activities | 14.885 Formula Capital Fund Stimulus Grant | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|--------------------------|--|-------------|------|-------------|
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | \$149,147 | \$56,356 | (\$18,982) | \$0 | \$186,521 | \$0 | \$186,521 |
| 11030 Beginning Equity | \$4,990,839 | \$138,970 | \$83,546 | \$0 | \$5,213,355 | \$0 | \$5,213,355 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ending Equity | \$5,139,986 | \$195,326 | \$64,564 | \$0 | \$5,399,876 | \$0 | \$5,399,876 |
| 11170 Administrative Fee Equity | \$0 | \$126,294 | \$0 | \$0 | \$126,294 | \$0 | \$126,294 |
| 11180 Housing Assistance Payments Equity | \$0 | \$69,032 | \$0 | \$0 | \$69,032 | \$0 | \$69,032 |
| 11190 Unit Months Available | 1,980 | 2,496 | 0 | 0 | 4,476 | 0 | \$4,476 |
| 11210 Number of Unit Months Leased | 1,946 | 2,477 | 0 | 0 | 4,423 | 0 | \$4,423 |
| 11270 Excess Cash | \$841,771 | \$0 | \$0 | \$0 | \$841,771 | \$0 | \$841,771 |
| 11610 Land Purchases | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 11620 Building Purchases | \$391,819 | \$0 | \$0 | \$0 | \$391,819 | \$0 | \$391,819 |
| 11630 Furniture & Equipment - Dwelling Purchases | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 11640 Furniture & Equipment - Administrative Purchases | \$39,300 | \$0 | \$0 | \$0 | \$39,300 | \$0 | \$39,300 |
| 11650 Leasehold Improvements Purchases | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

Jackson Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
September 30, 2010

Capital Fund Program Number OH10P03850108

1. The Program Costs are as follows:

| | |
|---------------------------------------|----------------|
| Funds Approved | \$236,043 |
| Funds Expended | <u>236,043</u> |
| Excess (Deficiency) of Funds Approved | <u>\$ -0-</u> |
| Funds Advanced | \$236,043 |
| Funds Expended | <u>236,043</u> |
| Excess (Deficiency) of Funds Advanced | <u>\$ -0-</u> |

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on August 3, 2010.
4. The final costs on the certification agree to the Authority's records.

Jackson Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
September 30, 2010

Capital Fund Program Number OH10S03850109

1. The Program Costs are as follows:

| | |
|---------------------------------------|----------------|
| Funds Approved | \$298,783 |
| Funds Expended | <u>298,783</u> |
| Excess (Deficiency) of Funds Approved | <u>\$ -0-</u> |
| | |
| Funds Advanced | \$298,783 |
| Funds Expended | <u>298,783</u> |
| Excess (Deficiency) of Funds Advanced | <u>\$ -0-</u> |

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on August 3, 2010.
4. The final costs on the certification agree to the Authority's records.

Jackson Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended September 30, 2010

| FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES | CFDA NUMBER | EXPENDITURES |
|--|------------------------|----------------------------------|
| U.S. Department of Housing and Urban Development Direct Program | | |
| Low Rent Public Housing | 14.850 | \$520,588 |
| Housing Choice Vouchers | 14.871 | 773,143 |
| Public Housing Capital Fund Program (Cluster): | | |
| - Public Housing Capital Fund Program | 14.872 | 274,627 |
| - Formula Capital Fund Stimulus Grant | 14.885 | <u>280,071</u> |
| Total Public Housing Capital Fund Program (Cluster) | | <u>554,698</u> |
| TOTAL AWARDS | | <u><u>\$1,848,429</u></u> |



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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 Commissioners
Jackson Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of Jackson Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2010, which collectively comprise the Jackson Metropolitan Housing Authority, Ohio's basic financial statements and have issued my report thereon dated February 1, 2011. 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Jackson Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 result of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matter that I have reported to management of Jackson Metropolitan Housing Authority in a separate letter dated February 1, 2011.

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

Salvatore Consiglio, CPA, Inc.

February 1, 2011



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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 Commissioners
Jackson Metropolitan Housing Authority

Compliance

I have audited the compliance of the Jackson Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. Jackson Metropolitan Housing Authority, Ohio major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jackson Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Jackson Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Jackson Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of Jackson Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Jackson Metropolitan Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Jackson Metropolitan Housing Authority's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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

Salvatore Consiglio, CPA, Inc.

February 1, 2011

Jackson Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 September 30, 2010

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | |
|--|---|
| Type of Financial Statement Opinion | Unqualified |
| Were there any significant deficiency reported as material weakness at the financial statement level (GAGAS)? | No |
| Were there any other significant deficiencies in internal control 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 significant deficiency reported for any major federal programs as material weakness? | No |
| Were there any other significant deficiency reported for the major federal programs? | No |
| Type of Major Programs' Compliance Opinion | Unqualified |
| Are there any reportable findings under § .510? | No |
| Major Programs (list): | CFDA # 14.872– Public Housing Capital Fund Program & 14.885 Formula Capital Fund Stimulus Grant |
| Dollar Threshold: Type A/B Programs | Type A: > \$300,000 Type B: All Others |
| Low Risk Auditee? | Yes |

| |
|--|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS |
|--|

There are no Findings or questioned costs for the year ended September 30, 2010.

| |
|--|
| 3. FINDINGS REALTED TO FEDERAL AWARDS |
|--|

There are no Findings or questioned costs for the year ended September 30, 2010.

Jackson Metropolitan Housing Authority
Schedule of Prior Audit Findings
September 30, 2010

The audit report for the fiscal year ending September 30, 2009 contained no audit findings.



Dave Yost • Auditor of State

JACKSON METROPOLITAN HOUSING AUTHORITY

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 24, 2011**