

**JEFFERSON METROPOLITAN  
HOUSING AUTHORITY**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Board of Directors  
Jefferson Metropolitan Housing Authority  
816 N. 8th Street  
Steubenville, Ohio 43952-1848

We have reviewed the *Independent Auditor's Report* of the Jefferson Metropolitan Housing Authority, Jefferson County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 29, 2012

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**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Jefferson Metropolitan Housing Authority  
Steubenville, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying financial statements of the business-type activities of the Jefferson Metropolitan Housing Authority, Ohio as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jefferson Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our 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 we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Jefferson Metropolitan Housing Authority, as of December 31, 2011, and the respective changes in financial position, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2012, on our consideration of the Jefferson Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson Metropolitan Housing Authority, Ohio's financial statements as a whole. The Statement of Modernization Costs - Completed is presented for purposes of additional analysis and is not a required part of the financial statements. 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 Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The Schedule of Expenditures of Federal Awards and the Statement of Modernization Costs - Completed are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Authority has not presented the audited Financial Data Schedules (FDS) utilized by the Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The FDS are not available as HUD has not completed its review of the Schedules as of the date of this report.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

July 11, 2012



**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

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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 year’s activities, resulting changes and current known facts, please read it in conjunction with the Authority’s financial statements.

**Financial Highlights**

- The Authority’s net assets decreased by \$1,282,000 (5 percent) due to results from operations. Net assets were \$23,594,000 at December 31, 2010 and \$22,312,000 at December 31, 2011.
- Revenues of the entire Authority decreased by \$1,100,000 in 2011. Revenues were \$9,481,000 in 2010 and \$8,381,000 in 2011.
- Total expenses of the entire Authority increased by \$715,000 in 2011. Total expenses were \$8,948,000 in 2010 and \$9,663,000 in 2011.

**MD&A  
- Management Discussion and Analysis**

**Basic Financial Statements  
- Authority-Wide Financial Statements**

**Other Required Supplementary Information  
- 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)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

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**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 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, 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 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.

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 (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

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**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.

Accounting balances for many of the programs maintained by the Authority are segregated as 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 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 percent 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 percent of household income.

Business Activity - Gaylord Towers - under the Section 8 New Construction Program, the Authority rents units that it owns to elderly households. The program is operated to allow the Authority to provide the housing at a rent based on 30 percent of household income.

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

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

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.

ARRA Funds - Stimulus Funds received in 2009, 2010 and 2011 used for Capital Improvements.

**AUTHORITY-WIDE STATEMENT**

The following is a condensed **Statement of Net Assets** compared to the prior year-end. Jefferson Metropolitan Housing Authority is engaged only in business-type activities.

**Table 1 - Condensed Statement of Net Assets Compared to Prior Year  
(Values Rounded to Nearest Thousand)**

	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b><u>Assets</u></b>			
Current and Other Assets	\$ 8,256	\$ 9,053	\$ (797)
Capital Assets	14,814	15,260	(446)
<b>Total Assets</b>	<b><u>\$ 23,070</u></b>	<b><u>\$ 24,313</u></b>	<b><u>\$ (1,243)</u></b>
<b><u>Liabilities</u></b>			
Current Liabilities	\$ 514	\$ 529	\$ (15)
Long-term Liabilities	244	190	54
<b>Total Liabilities</b>	<b><u>758</u></b>	<b><u>719</u></b>	<b><u>39</u></b>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	14,814	15,260	(446)
Restricted Net Assets	342	104	238
Unrestricted Net Assets	7,156	8,230	(1,074)
<b>Total Net Assets</b>	<b><u>22,312</u></b>	<b><u>23,594</u></b>	<b><u>(1,282)</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 23,070</u></b>	<b><u>\$ 24,313</u></b>	<b><u>\$ (1,243)</u></b>

For more detail information, see Statement of Net Assets presented on page 11.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

**Major Factors Affecting the Statement of Net Assets**

During 2011 current assets decreased by \$797,000 and current liabilities decreased by \$15,000. The current asset decrease is mainly due to the Calabrese Apartments expenses which were not subsidized by HUD in 2011. Also the Section 8 program is not being fully funded. Total liabilities increased by \$39,000 for the year. This increase is small and is just the cost of doing regular business.

During 2011 Investment in Capital Assets, net of related debt decreased by \$446,000.

The following is a modified **Statement of Revenues, Expenses and Changes in Net Assets**. Jefferson Metropolitan Housing Authority is engaged only in business-type activities.

**Table 2 - Modified Statement of Revenues, Expenses, and Changes in Net Assets  
(Values Rounded to Nearest Thousand)**

	2011	2010	Change
<b><u>Revenues</u></b>			
Total Tenant Revenues	\$ 856	\$ 892	\$ (36)
Operating Subsidies and Capital Grants	7,517	8,540	(1,023)
Investment Income	14	48	(34)
Other Revenues	(6)	1	(7)
<b>Total Revenues</b>	<b>8,381</b>	<b>9,481</b>	<b>(1,100)</b>
<b><u>Expenses</u></b>			
Administrative	1,578	1,570	8
Utilities	1,039	904	135
Maintenance	1,703	1,385	318
Protective Services	444	356	88
General Expenses	308	288	20
Housing Assistance Payments	3,327	3,231	96
Depreciation	1,264	1,214	50
<b>Total Expenses</b>	<b>9,663</b>	<b>8,948</b>	<b>715</b>
Net Increases (Decreases)	<b>\$ (1,282)</b>	<b>\$ 533</b>	<b>\$ (1,815)</b>

For more detailed information see Combined Statement of Revenues, Expenses and Changes in Net Assets presented elsewhere in this report.

**Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Assets**

Total revenues decreased by \$1,100,000 (12 percent) in 2011. This was due to the Stimulus grant money received in 2010 and no subsidy for Project 14-26 in 2011.

Total expenses increased in 2011 by \$715,000 (8 percent). The increase is mainly due to expenses incurred at Project 14-26 which was not in operation the entire 2010 year.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

The following table shows the change in net assets of Authority for the fiscal year ended December 31, 2011:

**Table 3 - Net Assets (Equity)**

	Unrestricted Net Assets	Restricted Net Assets	Investment in Capital Assets
Beginning Balance - December 31, 2010	\$ 8,230	\$ 104	\$ 15,260
Results of Operation	(1,282)	0	0
Adjustments:			
Current Year Depreciation Expense	1,264	0	(1,264)
Capital Expenditure	(827)	0	827
Loss on Capital Assets Disposed	23	0	(23)
Transfer to Restricted Net Assets	(238)	238	0
RHF Expenditures not Reimbursed by HUD	(8)	0	8
RHF Disposal Expenses included in Loss on Disposal	(6)	0	6
Ending Balance - December 31, 2011	<u>\$ 7,156</u>	<u>\$ 342</u>	<u>\$ 14,814</u>

**Capital Assets**

As of year end, the Authority had \$14,814,000 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$446,000 or 3 percent from the end of last year.

The following is a condensed **Statement of Changes in Capital Assets** comparing the balance in capital assets at the year-end versus at the end of the prior year.

**Table 4 - Condensed Statement of Changes in Capital Assets at Year End  
(Net of Depreciation)  
(Values Rounded to Nearest Thousand)**

	2011	2010
Land and Land Rights	\$ 2,652	\$ 2,652
Buildings	35,261	33,007
Equipment	1,712	1,493
Accumulated Depreciation	(25,090)	(23,850)
Construction in Progress	279	1,958
<b>Total Capital Assets, Net</b>	<u>\$ 14,814</u>	<u>\$ 15,260</u>

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

**Table 5 - Capital Assets at Year-End  
(Values Rounded to Nearest Thousand)**

Beginning Balance - December 31, 2010	\$ 15,260
Current Year Additions	835
Current Year Disposals, Net	(17)
Current Year Depreciation Expense	<u>(1,264)</u>
 Ending Balance - December 31, 2011	 <u>\$ 14,814</u>

Current Year Additions are summarized as follows:

- Generator	\$ 29
- Exterior Storm Doors	96
- Unit Renovations	116
- Storm Drains and Dumpsters	148
- Carpeting	3
- Handicap Unit Conversions	304
- Vehicle	18
- Plumbing Improvement	35
- Construction in Progress	<u>86</u>

Total 2011 Additions	\$ <u>835</u>
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The current year additions represented various capital improvements such as: generator, carpeting, unit renovations, storm drains, handi-cap unit conversions, plumbing upgrades, vehicles purchased, retaining walls, and various other items.

**Debt Outstanding**

As of year-end, the Authority had no debt outstanding.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

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**Economic Factors**

Significant economic factors affecting the Authority are as follows:

1. Federal funding provided by Congress to the Department of Housing and Urban Development
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
4. Inflationary pressure on utility rates, supplies and other costs.
5. Property condition.

**Financial Contact**

Questions concerning this report or requests for additional information should be directed to Jim Fullen, Assistant Director of Jefferson Metropolitan Housing Authority, at (740) 282-0994 extension #22.



**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 7,544,285
Restricted Cash and Cash Equivalents	530,515
Receivables, Net	31,600
Inventories, Net	18,225
Prepaid Expenses and Other Assets	<u>131,738</u>
<b>Total Current Assets</b>	<b><u>8,256,363</u></b>

**Noncurrent Assets**

Non-depreciable Capital Assets	2,931,064
Depreciable Capital Assets, Net	<u>11,883,167</u>
<b>Total Noncurrent Assets</b>	<b><u>14,814,231</u></b>

**TOTAL ASSETS** **\$ 23,070,594**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 134,639
Accrued Compensated Absences	33,007
Accrued Liabilities	142,573
Tenant Security Deposits	129,820
Other Current Liabilities	<u>73,737</u>
<b>Total Current Liabilities</b>	<b><u>513,776</u></b>

**Noncurrent Liabilities**

Accrued Compensated Absences - Non-Current	<u>244,511</u>
<b>Total Noncurrent Liabilities</b>	<b><u>244,511</u></b>
<b>Total Liabilities</b>	<b><u>758,287</u></b>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	14,814,231
Restricted Net Assets	341,950
Unrestricted Net Assets	<u>7,156,126</u>
<b>Total Net Assets</b>	<b><u>22,312,307</u></b>

**TOTAL LIABILITIES AND NET ASSETS** **\$ 23,070,594**

See accompanying notes to the basic financial statements.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<b><u>Operating Revenues</u></b>	
Government Grants	\$ 7,113,846
Tenant Revenue	856,724
Other Revenue	<u>15,529</u>
<b>Total Operating Revenues</b>	<b><u>7,986,099</u></b>
<b><u>Operating Expenses</u></b>	
Administrative	1,577,524
Protection Services	444,289
Utilities	1,039,264
Maintenance	1,703,278
General	307,905
Housing Assistance Payments	<u>3,326,990</u>
<b>Total Operating Expenses Before Depreciation</b>	<b><u>8,399,250</u></b>
Income (Loss) Before Depreciation	(413,151)
Depreciation	<u>1,263,923</u>
<b>Operating Income (Loss)</b>	<b><u>(1,677,074)</u></b>
<b><u>Non-Operating Revenues (Expenses)</u></b>	
Interest and Investment Revenue	14,036
Loss on Disposal of Capital Assets	<u>(22,619)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>(8,583)</u></b>
Income (Loss) Before Capital Grants	(1,685,657)
Capital Grants	<u>403,526</u>
<b>Change in Net Assets</b>	<b><u>(1,282,131)</u></b>
Total Net Assets, Beginning of Year	<u>23,594,438</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 22,312,307</u></b>

See accompanying notes to the basic financial statements.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<b><u>Cash Flows from Operating Activities</u></b>	
Operating Grants Received	\$ 7,110,036
Total Revenue Received	887,478
Other Revenue Received	15,529
General and Administrative Expenses Paid	(5,046,539)
Housing Assistance Payments	<u>(3,326,990)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(360,486)</u></b>
 <b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Capital Grant Funds Received	403,526
Property and Equipment Purchased	<u>(840,893)</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b><u>(437,367)</u></b>
 <b><u>Cash Flows from Investing Activities</u></b>	
Interest Income	<u>14,036</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>14,036</u></b>
 Net Increase (Decrease) in Cash	 (783,817)
 Cash and Cash Equivalents, Beginning of Year	 <u>8,858,617</u>
 <b>Cash and Cash Equivalents, Ending of Year</b>	 <b><u>\$ 8,074,800</u></b>
 <b><u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u></b>	
Net Operating (Loss)	\$ (1,677,074)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	1,263,923
(Increase) Decrease in:	
Accounts Receivable	19,263
Prepaid Assets	(9,132)
Inventory	2,980
Increase (Decrease) in:	
Accounts Payable	48,241
Intergovernmental Payable	(190)
Accrued Compensated Absences	(24,387)
Accrued Expenses Payable	(5,716)
Tenants' Security Deposits	7,681
Other Liabilities	<u>13,925</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ (360,486)</u></b>

See accompanying notes to the basic financial statements.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Significant Accounting Policies**

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

**Reporting Entity**

The Jefferson Metropolitan Housing Authority ( the 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 burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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

**Reporting Entity** (Continued)

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

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

**Basis of Presentation**

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

The Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to follow FASB guidance issued after November 30, 1989.

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**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.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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

**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.

**Description of Programs**

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

A. **Public Housing Program**

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

B. **Capital Fund Program**

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

C. **Housing Choice Voucher Program**

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

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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

**Measurement Focus and Basis of Accounting** (Continued)

**D. Business Activities**

Gaylord Tower is an apartment building owned by the Authority. The units are rented to elderly households. The building is operated under a Housing Assistance Payment (HAP) contract with HUD, and HUD provides subsidy to allow the Authority to provide the housing at a rent based on 30 percent of household income.

**E. Section 8 Moderate Rehabilitation Program**

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

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2011 totaled \$14,036.

**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 \$2,000 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives:

Buildings	40 years
Building Improvements	15 years
Furniture, Equipment and Machinery	3-7 years

Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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

**Operating Revenues and Expenses**

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

**Capital Contributions**

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

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

**Compensated Absences**

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences 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; and **(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 liability.

The following is a summary of the change in compensated absence liability:

<u>Description</u>	<u>Balance</u> <u>12/31/2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/2011</u>	<u>Current</u> <u>Portion</u>
Liability Amount \$	301,905	\$ 61,348	\$ (85,735)	\$ 277,518	\$ 33,007



**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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

**Net Assets**

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

**Budgetary Accounting**

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

**Estimates**

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

NOTE 2: **DEPOSITS AND INVESTMENTS**

**Deposits**

State statutes classify monies held by the Authority into three categories:

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two periods 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.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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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 December 31, 2011, the carrying amount of the Authority's deposits totaled \$8,074,800 (including \$100 petty cash) and its bank balance was \$8,112,882. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2011, \$7,362,882 was exposed to custodial risk as discussed below, while \$750,000 was covered by the Federal Depository Insurance Corporation. The Authority held no investments in 2011.

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 percent of the carrying value of the deposits at June 30, 2012.

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**

The restricted cash balance as of December 31, 2011 of \$530,515 represents cash on hand for the following:

- FSS Escrow Funds Held for Tenants	\$ 58,745
- Tenant Security Deposits	129,820
- Cash Advance from HUD to be Used for Housing Assistance	44,901*
- Restricted Assets from Sale of Property	<u>297,049*</u>
Total Restricted Cash	<u>\$ 530,515</u>

\* These amounts represent restricted net assets in accordance with HUD guidelines.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

**NOTE 4: CAPITAL ASSETS**

A summary of capital assets at December 31, 2011 by class is as follows:

	Balance 01/01/2011	Reclasses/ Adjustments	Additions	Deletions	Balance 12/31/2011
<b><u>Capital Assets Not Being Depreciated</u></b>					
Land	\$ 2,651,882	\$ 0	\$ 0	\$ 0	\$ 2,651,882
Construction in Progress	1,957,515	(1,957,515)	279,182	0	279,182
<b>Total Capital Assets Not Being Depreciated</b>	<b>4,609,397</b>	<b>(1,957,515)</b>	<b>279,182</b>	<b>0</b>	<b>2,931,064</b>
<b><u>Capital Assets Being Depreciated</u></b>					
Buildings and Improvements	33,007,117	1,957,514	334,684	(38,723)	35,260,592
Furniture, Machinery and Equipment					
- Dwelling	710,270	0	190,469	0	900,739
- Administration	782,881	0	30,882	(2,345)	811,418
<b>Subtotal Capital Assets Being Depreciated</b>	<b>34,500,268</b>	<b>1,957,514</b>	<b>556,035</b>	<b>(41,068)</b>	<b>36,972,749</b>
<b><u>Accumulated Depreciation</u></b>					
Buildings & Improvements	(22,546,081)	7,989	(1,196,602)	21,782	(23,712,912)
Furniture, Machinery and Equipment					
- Dwelling	(742,898)	131,021	(35,849)	0	(647,726)
- Administration	(560,806)	(139,011)	(31,472)	2,345	(728,944)
<b>Total Accumulated Depreciation</b>	<b>(23,849,785)</b>	<b>(1)</b>	<b>(1,263,923)</b>	<b>24,127</b>	<b>(25,089,582)</b>
<b>Capital Assets Being Depreciated, Net</b>	<b>10,650,483</b>	<b>1,957,513</b>	<b>(707,888)</b>	<b>(16,941)</b>	<b>11,883,167</b>
<b>Total Capital Assets ,Net</b>	<b>\$ 15,259,880</b>	<b>\$ (2)</b>	<b>\$ (428,706)</b>	<b>\$ (16,941)</b>	<b>\$ 14,814,231</b>

*This space is intentionally left blank.*

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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NOTE 5: **DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

All full-time Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a benefit 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 (CO) - a cost-sharing, multiple-employer defined benefit pension 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, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at [www.opers.org](http://www.opers.org).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2011, 2010, and 2009, were \$226,362, \$217,456, and \$199,500, respectively. One hundred percent has been contributed for 2011. All required contributions for the two previous years have been paid.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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NOTE 6: **POST-EMPLOYMENT 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 do 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 issues 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.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

**B. Funding Policy** (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, 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 4.0 percent for calendar year 2011 and allocated to health care for members in the Combined Plan was 6.05 percent for calendar year 2011. 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 years ended December 31, 2011, 2010 and 2009, which were used to fund post-employment benefits were \$88,928, \$90,712, and \$83,719, respectively.

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, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

*This space intentionally left blank.*

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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**NOTE 7: 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 8: 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, 2011 the Authority maintained comprehensive insurance coverage with private carriers for general liability, real property, building contents, and vehicles through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance pool comprised of thirty-nine (39) Ohio Housing Authorities, of which Jefferson Metropolitan Housing Authority is one. 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 provides health care benefits to its employees via participation in a partially self-funded healthcare pool, OME-RESA Health Benefits Program. Jefferson Metropolitan Housing Authority makes monthly payments to the Plan Administrator for claims paid by the plan in the previous month. No liability was accrued for the immaterial amount of income or unpaid claims at year-end.

**NOTE 9: CONTINGENCIES**

**Grants**

Amounts grantor agencies pay to the Authority are subject to audit and adjustments 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 December 31, 2011.

**Litigations and Claims**

In the normal course of operations the PHA may be subject to litigations and claims. At December 31, 2011 the PHA was not aware of any such matters.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
<b><u>Public Housing Programs</u></b>		
Low Rent Public Housing Program	14.850	\$ 2,336,563
<b><u>Capital Fund Cluster</u></b>		
Capital Fund Program	14.872	798,457
Capital Fund Formula - Recovery Act Funded	14.885	<u>179,683</u>
<b>Total Capital Fund Cluster</b>		<u>978,140</u>
<b>Total Public Housing Programs</b>		<u>3,314,703</u>
<b><u>Section 8 Tenant Based Programs</u></b>		
Section 8 Housing Choice Voucher Program	14.871	<u>3,653,344</u>
<b>Total Section 8 Tenant Based Programs</b>		<u>3,653,344</u>
<b><u>Section 8 Project Based Program Cluster</u></b>		
Section 8 New Construction	14.182	458,591
Section 8 Moderate Rehabilitation - Single Room Occupancy	14.249	<u>90,734</u>
<b>Total Section 8 Program Based Programs</b>		<u>549,325</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>7,517,372</u>
<b>Total Federal Expenditures</b>		<u><u>\$ 7,517,372</u></u>

This schedule is prepared on the accrual basis of accounting.



**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
STATEMENTS OF MODERNIZATION COST - COMPLETED  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011**

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**Annual Contribution Contract C- 922**

1. The total amount of modernization costs of the Capital Fund Program grant is shown below:

<u>OH16P06050108</u>	
Funds Approved	\$ 1,158,443
Funds Expended	<u>1,158,443</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 1,158,443
Funds Expended	<u>1,158,443</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

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Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

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

Board of Directors  
Jefferson Metropolitan Housing  
Steubenville, Ohio

Regional Inspector General for Audit  
Department of Housing and Urban  
Development

We have audited the financial statements of the business-type activities of the Jefferson Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the Jefferson Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated July 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Jefferson Metropolitan Housing Authority is responsible for establishing and maintaining effective control over financial reporting. In planning and performing our audit, we considered the Jefferson Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jefferson Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jefferson Metropolitan Housing Authority, Ohio's internal control over financial reporting.

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


Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Jefferson Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Jefferson Metropolitan Housing Authority, in a separate letter dated July 11, 2012.

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

  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

July 11, 2012

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Board of Directors  
Jefferson Metropolitan Housing Authority  
Stuebenville, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

We have audited the compliance of the Jefferson Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Jefferson Metropolitan Housing Authority, Ohio's major federal programs for the year ended December 31, 2011. The Jefferson Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results 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 the Jefferson Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Jefferson Metropolitan Housing Authority, Ohio's compliance based on our audit.

We conducted our 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 we 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 we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Jefferson Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Jefferson Metropolitan Housing Authority, Ohio, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as **Item 2011-01**.

## Internal Control Over Compliance

The management of the 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 our audit, we considered the Jefferson Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of the Jefferson Metropolitan Housing Authority, Ohio'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.

Our consideration of the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as **Item 2011-01**. A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Jefferson Metropolitan Housing Authority, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Jefferson Metropolitan Housing Authority, Ohio's response and, accordingly, we express no opinion on it.

We noted certain other matters that we reported to management of the Jefferson Metropolitan Housing Authority, Ohio in a separate letter dated July 11, 2012.

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



James G. Zupka CPA, Inc.  
Certified Public Accountants

July 11, 2012

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
DECEMBER 31, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2011(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2011(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2011(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2011(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	Yes
2011(v)	Type of Major Programs' Compliance Opinion	Unqualified
2011(vi)	Are there any reportable findings under .510?	Yes
2011(vii)	Major Programs (list):  Public Housing - CFDA # 14.850 Public Housing Capital Fund - CFDA # 14.872 Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded CFDA # - 14.885 Section 8 New Construction - CFDA # 14.182 Section 8 Moderated Rehabilitation Single Room Occupancy CFDA # 14.249	
2011(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2011(ix)	Low Risk Auditee?	Yes

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

None.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 & .505**  
**DECEMBER 31, 2011**  
**(CONTINUED)**

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3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Compliance Finding and Significant Deficiency in Controls Over Compliance**

**Item 2011-01: Monitoring Compliance with the Davis Bacon Act**

Identification of the Federal Program

Department of Housing and Urban Development - CFDA #14.872 - Public Housing Capital Fund

Criteria

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6).

Condition

During our review of contract files, we noted for one contract we tested that the Agency failed to maintain files of certified payroll reports from contractors completing the work.

Cause/Effect

Without maintenance of certified payroll reports, the Agency cannot monitor that specified wages were properly paid to contracted workers under the Davis-Bacon Act.

Recommendation

We recommend the Agency document its compliance with the regulation requiring contractors to pay specified wage rates to workers on construction contracts and the Agency to monitor that the proper wages are being paid to workers on those construction contracts.

Auditee Response

The absence of payroll reports in this file is not typical of our construction project files. Other construction project files from the period contain certified payroll reports, as was indicated by the other file chosen for audit. The general contractor on this project, Mullins Construction, Inc., had never worked on a project with us before. Instructions given at the pre-construction meeting included the requirement to submit certified payrolls to Jefferson Metropolitan Housing Authority, with the transmittal copies to the architect. Mullins apparently overlooked or misunderstood this requirement, and neither we nor the architect noticed the omission. The project was plagued with delays, due to the nature of the work being done, including the mold elimination and we lost track of the flow of required submissions.

On the project in question, we have already secured some of the outstanding payroll reports, and are in the process of obtaining the rest. If any corrective action is necessary, we anticipate the full cooperation of Mullins Construction. We should also note that a payment and performance bond was required.

To insure that this error is not repeated, we will, as part of the pre-construction meeting, include a separate notice citing the requirement to submit certified payroll reports. We will not approve any requests for payment until we have verified that payroll reports have been submitted in a timely fashion.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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The prior audit report, as of December 31, 2010, included no findings or management letter comments.





# Dave Yost • Auditor of State

**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 8, 2012**