

**JEFFERSON METROPOLITAN  
HOUSING AUTHORITY**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**

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





# Dave Yost • Auditor of State

Board of Directors  
Jefferson Metropolitan Housing Authority  
815 N. 6<sup>th</sup> Street  
Steubenville, Ohio 43952

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, 2013 through December 31, 2013. 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

July 17, 2014

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**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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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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(216) 475 - 6136

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Jefferson Metropolitan Housing Authority  
Steubenville, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Report on the Financial Statements**

We have audited the accompanying financial statements of the of the Jefferson Metropolitan Housing Authority, Ohio (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management 's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Jefferson Metropolitan Housing Authority, Ohio, as of December 31, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 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 our 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.

#### ***Other Information***


Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Jefferson Metropolitan Housing Authority, Ohio's basic financial statements. The Financial Data Schedules are presented for purposes of additional analysis and are not part of the basic financial statements. The 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 basic financial statements.

The Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, 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* in considering the Jefferson Metropolitan Housing Authority, Ohio's internal control over financial reporting and compliance.

James G. Zupka,  
CPA, President



Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc.,  
ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.06.27 17:13:43 -04'00'

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

June 26, 2014



**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)**

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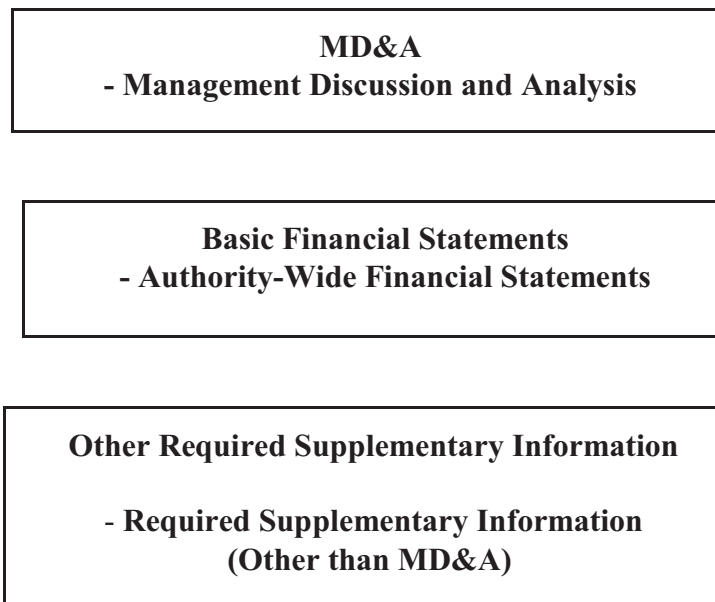
The Jefferson Metropolitan Housing Authority (“the Authority”) management’s discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority’s financial activities, (c) identify changes in the Authority’s financial position 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 position decreased by \$847,000 (4 percent) due to results from operations. Net position was \$19,909,000 at December 31, 2012 and \$19,062,000 at December 31, 2013.
- Revenues of the Authority increased by \$1,998,000 in 2013. Revenues were \$7,092,000 in 2012 and \$9,090,000 in 2013.
- Total expenses of the Authority increased by \$442,000 in 2013. Total expenses were \$9,495,000 in 2012 and \$9,937,000 in 2013.

The following graphic outlines the format of this report:



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, 2013  
(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 Position*, which is similar to a Balance Sheet. The Statements of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal “Net Position”, 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 Position (the “*Unrestricted Net Position*”) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position is reported in three broad categories:

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

***Unrestricted Net Position***: Consists of Net Position that does not meet the definition of “Net Investment in Capital Assets, or “Restricted Net Position”. 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 Position* (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 Position is the “Change in Net Position”, 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, 2013  
(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.

Section 8 New Construction - 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, 2013  
(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.

**AUTHORITY-WIDE STATEMENT**

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

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

	2013	2012	Change
<b><u>Assets</u></b>			
Current and Other Assets	\$ 9,561	\$ 6,472	\$ 3,089
Capital Assets	16,335	14,241	2,094
<b>Total Assets</b>	<b><u>\$ 25,896</u></b>	<b><u>\$ 20,713</u></b>	<b><u>\$ 5,183</u></b>
<b><u>Liabilities</u></b>			
Current Liabilities	\$ 885	\$ 674	\$ 211
Long-term Liabilities	5,949	130	5,819
<b>Total Liabilities</b>	<b><u>6,834</u></b>	<b><u>804</u></b>	<b><u>6,030</u></b>
<b><u>Net Position</u></b>			
Net Investment in Capital Assets	14,429	14,241	188
Restricted	259	292	(33)
Unrestricted	4,374	5,376	(1,002)
<b>Total Net Position</b>	<b><u>19,062</u></b>	<b><u>19,909</u></b>	<b><u>(847)</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 25,896</u></b>	<b><u>\$ 20,713</u></b>	<b><u>\$ 5,183</u></b>

For more detail information, see Statement of Net Position presented on page 12.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)**

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

During 2013 current assets increased by \$3,089,000 and current liabilities increased by \$211,000.

During 2013 Capital Assets increased by \$2,094,000.

All of these increases are mainly due to the new Energy Performance Contract (EPC).

Net Investment in Capital Assets increased by \$188,000, this is due to the Washington Square Apartment capital investment.

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

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

	2013	2012	Change
<b><u>Revenues</u></b>			
Total Tenant Revenues	\$ 1,035	\$ 954	81
Operating Subsidies and Capital Grants	7,329	6,113	1,216
Investment Income	2	13	(11)
Other Revenues	724	12	712
<b>Total Revenues</b>	<b>9,090</b>	<b>7,092</b>	<b>1,998</b>
<b><u>Expenses</u></b>			
Administrative	1,871	1,759	112
Utilities	1,251	1,136	115
Maintenance	1,669	1,740	(71)
Protective Services	475	480	(5)
General Expenses	246	280	(34)
Interest Expense (EPC)	54	0	54
Housing Assistance Payments	3,118	2,781	337
Depreciation	1,253	1,319	(66)
<b>Total Expenses</b>	<b>9,937</b>	<b>9,495</b>	<b>442</b>
Net Increases (Decreases)	<b>\$ (847)</b>	<b>\$ (2,403)</b>	<b>\$ 1,556</b>

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

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

Total revenues increased by \$1,998,000 (28 percent) in 2013. This was due to the HUD Operating Reserve Offset in 2012 which reduced our subsidy by \$1,400,000 in that year.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)**

Total expenses increased in 2013 by \$442,000 (5 percent). The increase is due to an increase in HAP payments made by the Authority.

The following table shows the change in net position of the Authority for the fiscal year ended December 31, 2013:

**Table 3 - Net Position (Equity)  
(Values Rounded to Nearest Thousand)**

	Unrestricted Net Position	Restricted Net Position	Investment in Capital Assets
Beginning Balance - December 31, 2012	\$ 5,376	\$ 292	\$ 14,241
Results of Operation	(847)	0	0
Adjustments:			
Current Year Depreciation Expense	1,253	0	(1,253)
Capital Expenditure	(3,347)	0	3,347
WIP Assets - Loan	1,906	0	(1,906)
Transfer from Restricted Net Position	<u>33</u>	<u>(33)</u>	<u>0</u>
Ending Balance - December 31, 2013	<u>\$ 4,374</u>	<u>\$ 259</u>	<u>\$ 14,429</u>

**Capital Assets**

As of year end, the Authority had \$16,335,000 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$2,094,000 or 15 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)**

	2013	2012
Land and Land Rights	\$ 2,697	\$ 2,652
Buildings	36,320	35,746
Equipment	1,791	1,738
Accumulated Depreciation	(27,601)	(26,355)
Construction in Progress	<u>3,128</u>	<u>460</u>
<b>Total Capital Assets, Net</b>	<u>\$ 16,335</u>	<u>\$ 14,241</u>

The following reconciliation summarizes the change in Capital Assets.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)**

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

Beginning Balance - December 31, 2012	\$ 14,241
Current Year Additions	3,347
Current Year Depreciation Expense	<u>(1,253)</u>
Ending Balance - December 31, 2013	<u>\$ 16,335</u>

Current Year Additions are summarized as follows:

- Land - COCC	\$ 5
- Security Camera Upgrades	95
- Canopy - JFK Hi-Rise	116
- Site Renovations - Toronto	165
- Unit Renovations - Scattered Sites	12
- Handicap Access - JFK	6
- Exterior Renovations - ERP	373
- Roof Replacement - Scattered Sites and BVA	39
- Mold Abatement	30
- EPC Capital - (WIP)	1,906
- New Apartment Complex - Washington Square	<u>600</u>
Total 2013 Additions	<u>\$ 3,347</u>

The current year additions represented various capital improvements such as: EPC Investments, Apartment Complex, security camera upgrades, site renovations, canopy, mold abatement and exterior renovations.

**Debt Outstanding**

As of year-end, the Authority had debt of \$5,870,000 for the Energy Performance Contract. This is an increase of \$5,870,000 from prior year (new contract). The amount of this debt that is accounted for by purchases in EPC Investments is \$1,906,000. This amount is netted against Capital Assets of \$16,335,000 to arrive at Net Investment in Capital Assets of \$14,429,000.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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.

**Recommended**

- 1) Keep Expenses to a minimum.
- 2) Do not acquire any more debt.
- 3) Follow HUD recommendations for Security to extent possible financially, without incurring outlays.
- 4) Financial issues should become paramount to Authority.

**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 POSITION**  
**DECEMBER 31, 2013**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 4,738,527
Restricted Cash and Cash Equivalents	4,429,853
Receivables, Net	206,912
Inventories, Net	15,588
Prepaid Expenses and Other Assets	<u>170,052</u>
<b>Total Current Assets</b>	<b><u>9,560,932</u></b>

**Noncurrent Assets**

Non-depreciable Capital Assets	5,825,521
Depreciable Capital Assets, Net	<u>10,510,013</u>
<b>Total Noncurrent Assets</b>	<b><u>16,335,534</u></b>

**TOTAL ASSETS** **\$ 25,896,466**

**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$ 142,605
Accrued Compensated Absences - Current	134,562
Accrued Liabilities	251,117
Tenant Security Deposits	138,678
Notes Payable - Current	137,777
Accrued Interest Payable	54,394
Other Current Liabilities	<u>25,981</u>
<b>Total Current Liabilities</b>	<b><u>885,114</u></b>

**Noncurrent Liabilities**

Accrued Compensated Absences - Non-Current	149,104
Notes Payable - Net of Current Portion	5,731,994
Other Noncurrent Liabilities	<u>69,316</u>
<b>Total Noncurrent Liabilities</b>	<b><u>5,949,414</u></b>
<b>Total Liabilities</b>	<b><u>6,834,528</u></b>

**NET POSITION**

Net Investment in Capital Assets	14,429,108
Restricted	258,922
Unrestricted	<u>4,373,908</u>
<b>Total Net Position</b>	<b><u>19,061,938</u></b>

**TOTAL LIABILITIES AND NET POSITION** **\$ 25,896,466**

See accompanying notes to the basic financial statements.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

<b><u>Operating Revenues</u></b>	
Government Grants	\$ 6,568,841
Tenant Revenue	1,035,058
Other Revenue	<u>46,050</u>
<b>Total Operating Revenues</b>	<b><u>7,649,949</u></b>
<b><u>Operating Expenses</u></b>	
Administrative	1,871,578
Protection Services	475,309
Utilities	1,251,107
Maintenance	1,668,986
General	246,111
Housing Assistance Payments	<u>3,117,515</u>
<b>Total Operating Expenses Before Depreciation</b>	<b><u>8,630,606</u></b>
Income (Loss) Before Depreciation	(980,657)
Depreciation	<u>1,252,655</u>
<b>Operating Income (Loss)</b>	<b><u>(2,233,312)</u></b>
<b><u>Non-Operating Revenues (Expenses)</u></b>	
Interest and Investment Revenue	2,144
Interest Expense	<u>(54,394)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>(52,250)</u></b>
Income (Loss) Before Capital Grants	(2,285,562)
Capital Grants	760,867
Capital Contributions	<u>677,305</u>
<b>Change in Net Position</b>	<b><u>(847,390)</u></b>
Total Net Position, Beginning of Year	<u>19,909,328</u>
<b>Net Position, End of Year</b>	<b><u>\$ 19,061,938</u></b>

See accompanying notes to the basic financial statements.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Cash Flows from Operating Activities**

Operating Grants Received	\$ 6,553,927
Total Revenue Received	1,033,720
Other Revenue Received	46,050
General and Administrative Expenses Paid	(5,455,819)
Housing Assistance Payments	<u>(3,117,515)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(939,637)</u></b>

**Cash Flows from Capital and Related Financing Activities**

Capital Grant Funds Received	597,573
Capital Assets Purchased	(2,669,290)
Notes Payable Proceeds	<u>5,869,771</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b><u>3,798,054</u></b>

**Cash Flows from Investing Activities**

Interest Income	<u>2,144</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>2,144</u></b>

Net Increase (Decrease) in Cash 2,860,561

Cash and Cash Equivalents, Beginning of Year 6,307,819

**Cash and Cash Equivalents, Ending of Year** **\$ 9,168,380**

**Reconciliation of Operating Loss to Net**

**Cash Provided by Operating Activities**

Net Operating (Loss)	\$ (2,233,312)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	1,252,655
(Increase) Decrease in:	
Accounts Receivable	(24,404)
Prepaid Assets	(38,628)
Inventory	(2,313)
Increase (Decrease) in:	
Accounts Payable	38,121
Other Current Liabilities	(82,514)
Accrued Compensated Absences	24,136
Accrued Expenses Payable	49,154
Tenants' Security Deposits	8,152
Non-Current Liabilities	<u>69,316</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ (939,637)</u></b>

Non-Cash transaction of \$677,305 represents a capital contribution of a property donated to the Authority in 2013.

See accompanying notes to the basic financial statements.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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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, 2013**  
**(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 financial statements of 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.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance, contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

The Authority's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

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.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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

**Fund Accounting** (Continued)

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.

**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, 2013**  
**(CONTINUED)**

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

**Description of Programs** (Continued)

**D. New Construction**

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.

**F. Business Activity**

Washington Square - Washington Square is an apartment building owned by the Authority. The apartments are rented to moderate income individuals for a set low income rent.

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2013 totaled \$2,144.

**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, 2013**  
**(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.

**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>12/31/2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/2013</u>	<u>Current</u> <u>Portion</u>
Liability Amount \$	258,530	\$ 151,868	\$ (127,732)	\$ 282,666	\$ 134,562



**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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

**Net Position**

Net position represent the difference between assets and liabilities. Net investment in capital assets 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 position is 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, 2013**  
**(CONTINUED)**

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

**Deposits** (Continued)

Protection of the Authority's 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, 2013, the carrying amount of the Authority's deposits totaled \$5,204,627 (including \$100 petty cash) and its bank balance was \$5,466,831. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2013, \$4,699,802 was exposed to custodial risk as discussed below, while \$767,029 was covered by the Federal Depository Insurance Corporation.

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. 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.

**Investments**

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

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

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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

**Investment** (Continued)

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

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

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

The carrying amount of the Authority's investments was \$3,963,753 at December 31, 2013 with the same corresponding bank balance. The investments are held in money markets.

<u>Description</u>	<u>Total Fair Value/ Carrying Value</u>	<u>Credit Quality Rating</u>
Money Market Funds	\$ 3,963,753	P-1*

A reconciliation of cash and investments as shown on the Statement of Net Position at December 31, 2013 to the deposits and investments included in this note is as follows:

Cash and Cash Equivalents	\$ 4,738,527
Restricted Cash and Cash Equivalents	<u>4,429,853</u>
Total	<u>\$ 9,168,380</u>
Carrying Amount of Deposits	\$ 5,204,627
Carrying Amount of Investments	<u>3,963,753</u>
Total	<u>\$ 9,168,380</u>

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

**NOTE 3: RESTRICTED CASH**

The restricted cash balance as of December 31, 2013 of \$4,430,261 represents cash on hand for the following:

- FSS Escrow Funds Held for Tenants	\$ 69,316
- Tenant Security Deposits	138,678
- Cash Advance from HUD to be Used for Housing Assistance	719*
- Restricted Assets from Sale of Property	257,795*
- Restricted Assets from Capital Purchases (EPC)	<u>3,963,345*</u>
Total Restricted Cash	<u>\$4,429,853</u>

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

**NOTE 4: CAPITAL ASSETS**

A summary of capital assets at December 31, 2013 by class is as follows:

	Balance 01/01/2013	Adjustments	Additions	Deletions	Balance 12/31/2013
<b><u>Capital Assets Not Being Depreciated</u></b>					
Land	\$ 2,651,882	\$ 0	\$ 46,100	\$ 0	\$ 2,697,982
Construction in Progress	460,247	0	2,667,292	0	3,127,539
<b>Total Capital Assets Not Being Depreciated</b>	<b>3,112,129</b>	<b>0</b>	<b>2,713,392</b>	<b>0</b>	<b>5,825,521</b>
<b><u>Capital Assets Being Depreciated</u></b>					
Buildings and Improvements	35,746,701	0	573,390	0	36,320,091
Furniture, Machinery and Equipment					
- Dwelling	875,177	(1)	13,643	(6,158)	882,661
- Administration	862,854	0	46,171	(744)	908,281
<b>Subtotal Capital Assets Being Depreciated</b>	<b>37,484,732</b>	<b>(1)</b>	<b>633,204</b>	<b>(6,902)</b>	<b>38,111,033</b>
<b><u>Accumulated Depreciation</u></b>					
Buildings & Improvements	(24,953,906)	0	(1,165,309)	0	(26,119,215)
Furniture, Machinery and Equipment					
- Dwelling	(657,714)	1	(47,346)	6,158	(698,901)
- Administration	(743,647)	0	(40,001)	744	(782,904)
<b>Total Accumulated Depreciation</b>	<b>(26,355,267)</b>	<b>1</b>	<b>(1,252,656)</b>	<b>6,902</b>	<b>(27,601,020)</b>
<b>Capital Assets Being Depreciated, Net</b>	<b>11,129,465</b>	<b>0</b>	<b>(619,452)</b>	<b>0</b>	<b>10,510,013</b>
<b>Total Capital Assets, Net</b>	<b>\$ 14,241,594</b>	<b>\$ 0</b>	<b>\$ 2,093,940</b>	<b>\$ 0</b>	<b>\$ 16,335,534</b>

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(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 <http://www.opers.org/investments/cafr.shtml>.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, 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, 2013, 2012, and 2011, were \$214,398, \$224,460, and \$226,362, respectively. The full amount has been contributed for all three years.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(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, 2013**  
**(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 2013, 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 Board of Trustees 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 1.0 percent for calendar year 2013. Effective January 1, 2014, the portion of the employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended December 31, 2013, 2012 and 2011, which were used to fund post-employment benefits were \$15,314, \$64,131, and \$64,675, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care charges, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

**NOTE 7: LONG-TERM DEBT**

Change in Long-Term Liabilities:

	Balance 01/01/2013	Additions	Deletions	12/31/2013	Balance Portion
Compensated Absences	\$ 258,530	\$ 151,868	\$ (127,732)	\$ 282,666	\$ 134,562
Long-Term Debt	0	5,869,771	0	5,869,771	137,777
Total	<u>\$ 258,530</u>	<u>\$ 6,021,639</u>	<u>\$ (127,732)</u>	<u>\$ 6,152,437</u>	<u>\$ 272,339</u>

On August 26, 2013, the Authority entered into an equipment lease-purchase agreement to acquire equipment under an energy performance contract in order to upgrade the heating and energy efficiency of several properties. The total amount of the contract is \$5,869,771, which was partially committed at December 31, 2013. Annual principal payments will begin on May 15, 2014. The annual rate of interest is 2.267 percent with the agreement maturing on August 26, 2026.

The following is a summary of the Authority's future debt service requirements for debt payable as of December 31, 2013:

<u>For the Year</u> <u>Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2014	\$ 137,777	\$ 112,223	\$ 250,000
2015	314,103	150,579	464,682
2016	337,074	142,328	479,402
2017	361,091	133,473	494,564
2018	386,194	123,987	510,181
2019-2023	2,348,545	453,506	2,802,051
2024-2026	<u>1,984,987</u>	<u>112,715</u>	<u>2,097,702</u>
Totals	<u>\$ 5,869,771</u>	<u>\$ 1,228,811</u>	<u>\$ 7,098,582</u>

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

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

**NOTE 9: NET INVESTMENT IN CAPITAL ASSETS**

Capital Assets	\$16,335,534
Less Related Debt	(5,869,771)
Add Back Unspent Debt Proceeds	<u>3,963,345</u>
Net Investment in Capital Assets	<u>\$14,429,108</u>



**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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NOTE 10: **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, 2013 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 unpaid claims at year-end.

NOTE 11: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

For 2013, the Authority has implemented GASB No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1981 FASB and AICPA Pronouncements*.

The objective of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, is to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012 and have been implemented by the Authority.

The objective of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and the implementation of this statement did not result in any change in the Authority's financial statements.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
ENTITY WIDE BALANCE SHEET SUMMARY  
DECEMBER 31, 2013**

	Project Total	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	Other Federal Program	Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	1,638,872	42,490	1,469,319	16,951	55,620	1,495,275	4,738,527		4,738,527
112 Cash - Restricted - Modernization and Development	3,963,345						3,963,345		3,963,345
113 Cash - Other Restricted	257,795	70,035					327,830		327,830
114 Cash - Tenant Security Deposits	110,420		20,624		7,634		138,678		138,678
115 Cash - Restricted for Payment of Current Liabilities									
<b>100 Total Cash</b>	<b>5,990,432</b>	<b>112,525</b>	<b>1,489,943</b>	<b>16,951</b>	<b>63,254</b>	<b>1,495,275</b>	<b>9,168,380</b>	<b>-</b>	<b>9,168,380</b>
122 Accounts Receivable - HUD Other Projects	163,294			16,696			179,990		179,990
124 Accounts Receivable - Other Government		2,309					2,309		2,309
125 Accounts Receivable - Miscellaneous	400						400		400
126 Accounts Receivable - Tenants	26,648		10,772		1,138		38,558		38,558
126.1 Allowance for Doubtful Accounts - Tenants	-8,982		-5,473				-14,455		-14,455
129 Accrued Interest Receivable	110						110		110
<b>120 Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>181,470</b>	<b>2,309</b>	<b>5,299</b>	<b>16,696</b>	<b>1,138</b>	<b>-</b>	<b>206,912</b>	<b>-</b>	<b>206,912</b>
142 Prepaid Expenses and Other Assets	144,990	985	12,953		3,465	7,659	170,052		170,052
143 Inventories	12,997		4,323				17,320		17,320
143.1 Allowance for Obsolete Inventories	-1,300		-432				-1,732		-1,732
144 Inter Program Due From			19,000				19,000	-19,000	
<b>150 Total Current Assets</b>	<b>6,328,589</b>	<b>115,819</b>	<b>1,531,086</b>	<b>33,647</b>	<b>67,857</b>	<b>1,502,934</b>	<b>9,579,932</b>	<b>-19,000</b>	<b>9,560,932</b>
161 Land	2,581,882		70,000		41,100	5,000	2,697,982		2,697,982
162 Buildings	31,986,041		3,773,150		558,900		36,320,091		36,320,091
163 Furniture, Equipment & Machinery - Dwellings	807,089		75,572				882,661		882,661
164 Furniture, Equipment & Machinery - Administration	464,673	35,059	87,573		-6,986	32,0976	908,281		908,281
166 Accumulated Depreciation	-24,021,006	-31,274	-3,258,633			-283,121	-27,601,020		-27,601,020
167 Construction in Progress	3,127,539						3,127,539		3,127,539
<b>160 Total Capital Assets, Net of Accumulated Depreciation</b>	<b>14,946,218</b>	<b>3,785</b>	<b>749,662</b>	<b>-</b>	<b>593,014</b>	<b>42,855</b>	<b>16,335,534</b>	<b>-</b>	<b>16,335,534</b>
180 Total Non-Current Assets	14,946,218	3,785	749,662		593,014	42,855	16,335,534		16,335,534
190 Total Assets	21,274,807	119,604	2,280,748	33,647	660,871	1,545,789	25,915,466	-19,000	25,896,466
200 Deferred Outflow of Resources									
<b>290 Total Assets and Deferred Outflow of Resources</b>	<b>21,274,807</b>	<b>119,604</b>	<b>2,280,748</b>	<b>33,647</b>	<b>660,871</b>	<b>1,545,789</b>	<b>25,915,466</b>	<b>-19,000</b>	<b>25,896,466</b>

**JEFFERSON METROPOLITAN HOUSING AUTHORITY**  
**ENTITY WIDE BALANCE SHEET SUMMARY**  
**DECEMBER 31, 2013**

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	Other Federal Program	Business Activities	COCC	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	95,839	2,994	28,537	6	7,343	7,866	142,605		142,605
321 Accrued Wage Payroll Taxes Payable	35,146	8,232	7,722	637	1,297	40,802	93,836		93,836
322 Accrued Compensated Absences - Current Portion	50,380	1,744	14,344	2,729		65,365	134,562		134,562
325 Accrued Interest Payable	54,394						54,394		54,394
333 Accounts Payable - Other Government		817					817		817
341 Tenant Security Deposits	110,420		20,624		7,634		138,678		138,678
342 Deferred Revenues					3,639		3,639		3,639
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	137,777						137,777		137,777
345 Other Current Liabilities	2,653		9,195	7,172	2,505		21,525		21,525
346 Accrued Liabilities - Other	17,623	2,115	1,796	131	64	135,552	157,281		157,281
347 Inter Program - Due To				19,000			19,000	-19,000	-
<b>310 Total Current Liabilities</b>	<b>504,232</b>	<b>15,902</b>	<b>82,238</b>	<b>29,675</b>	<b>22,482</b>	<b>249,585</b>	<b>904,114</b>	<b>-19,000</b>	<b>885,114</b>
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	5,731,994						5,731,994		5,731,994
353 Non-current Liabilities - Other		69,316					69,316		69,316
354 Accrued Compensated Absences - Non Current	72,978	8,732	22,686	1,734	246	41,728	148,104		148,104
<b>350 Total Non-Current Liabilities</b>	<b>5,804,972</b>	<b>78,048</b>	<b>22,686</b>	<b>1,734</b>	<b>246</b>	<b>41,728</b>	<b>5,949,414</b>	<b>-</b>	<b>5,949,414</b>
<b>300 Total Liabilities</b>	<b>6,309,204</b>	<b>93,950</b>	<b>104,924</b>	<b>31,409</b>	<b>22,728</b>	<b>291,313</b>	<b>6,853,528</b>	<b>-19,000</b>	<b>6,834,528</b>
400 Deferred Inflow of Resources							-		-
508.4 Net Investment in Capital Assets	13,039,792	3,785	749,662		593,014	42,855	14,429,108		14,429,108
511.4 Restricted Net Position	238,203	719					238,922		238,922
512.4 Unrestricted Net Position	1,667,608	21,150	1,426,162	2,238	45,129	1,211,621	4,373,908		4,373,908
<b>513 Total Equity - Net Assets / Position</b>	<b>14,965,603</b>	<b>25,654</b>	<b>2,175,824</b>	<b>2,238</b>	<b>638,143</b>	<b>1,254,476</b>	<b>19,061,938</b>	<b>-</b>	<b>19,061,938</b>
<b>600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position</b>	<b>21,274,807</b>	<b>119,604</b>	<b>2,280,748</b>	<b>33,647</b>	<b>660,871</b>	<b>1,545,789</b>	<b>25,915,466</b>	<b>-19,000</b>	<b>25,896,466</b>

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Project Total	14,871 Housing Choice Vouchers	14,182 N/C S/R/Section 8 Programs	Other Federal Program	Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	720,673		263,729		46,760		1,031,162		1,031,162
70400 Tenant Revenue - Other	3,896						3,896		3,896
<b>70500 Total Tenant Revenue</b>	<b>724,569</b>	<b>-</b>	<b>263,729</b>	<b>-</b>	<b>46,760</b>	<b>-</b>	<b>1,035,058</b>	<b>-</b>	<b>1,035,058</b>
70600 HUD PHA Operating Grants	2,657,318	3,340,006	465,483	106,034			6,568,841		6,568,841
70610 Capital Grants	760,867					572,713	760,867	-572,713	-
70710 Management Fee						80,010	80,010	-80,010	-
70720 Asset Management Fee						116,535	116,535	-116,535	-
70730 Book Keeping Fee						769,258	769,258	-769,258	-
<b>70700 Total Fee Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
71100 Investment Income - Unrestricted	876	130	311	17	4	285	1,623		1,623
71400 Fraud Recovery		2,119					2,119		2,119
71500 Other Revenue	11,659	25,402	6,870		677,305		721,236		721,236
72000 Investment Income - Restricted	518	3					521		521
<b>70000 Total Revenue</b>	<b>4,155,807</b>	<b>3,367,660</b>	<b>736,393</b>	<b>106,051</b>	<b>724,069</b>	<b>769,543</b>	<b>9,859,523</b>	<b>-769,258</b>	<b>9,090,265</b>
91100 Administrative Salaries	303,496	197,887	114,926	14,134	6,933	351,766	989,142		989,142
91200 Auditing Fees	13,430	2,000	2,000	1,000		1,001	19,431		19,431
91300 Management Fee	476,809	95,904			28,204		600,917	-572,713	28,204
91310 Book-keeping Fee	56,595	59,940					116,535	-116,535	-
91400 Advertising and Marketing	3,280	42	2,273		406	73	6,074		6,074
91500 Employee Benefit contributions - Administrative	149,017	97,163	56,429	6,940	3,404	172,733	485,686		485,686
91600 Office Expense s	49,388	38,517	9,972	164	6,073	29,928	134,042		134,042
91700 Legal Expense			1,430		3,965	9,570	14,965		14,965
91800 Travel	18,705	2,360	4,036	9	65	281	25,456		25,456
91900 Other	106,053	19,749	12,501	80	1,094	29,101	168,578		168,578
<b>91000 Total Operating - Administrative</b>	<b>1,176,773</b>	<b>513,562</b>	<b>203,567</b>	<b>22,327</b>	<b>50,144</b>	<b>594,453</b>	<b>2,560,826</b>	<b>-689,248</b>	<b>1,871,578</b>
92000 Asset Management Fee	80,010						80,010	-80,010	-
92400 Tenant Services - Other	423						423		423
<b>92500 Total Tenant Services</b>	<b>423</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>423</b>	<b>-</b>	<b>423</b>

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Project Total	14871 Housing Choice Vouchers	14.182 NC S/R Section 8 Programs	Other Federal Program	Business Activities	COCC	Subtotal	ELIM	Total
93100 Water	273,042		32,048		4,431	775	310,296		310,296
93200 Electricity	544,568		105,278		8,260	3,644	661,750		661,750
93300 Gas	19,997		8,473				28,470		28,470
93600 Sewer	219,779		25,985		4,198	629	250,591		250,591
<b>93000 Total Utilities</b>	<b>1,057,386</b>	<b>-</b>	<b>171,784</b>	<b>-</b>	<b>16,889</b>	<b>5,048</b>	<b>1,251,107</b>	<b>-</b>	<b>1,251,107</b>
94100 Ordinary Maintenance and Operations - Labor	469,569	275	54,542		225	1,769	526,180		526,180
94200 Ordinary Maintenance and Operations - Materials and Other	189,702	4,525	39,918	18	2,934	3,180	240,277		240,277
94300 Ordinary Maintenance and Operations Contracts	569,051	453	69,575	2	3,608	1,570	644,259		644,259
94500 Employee Benefit Contributions - Ordinary Maintenance	230,558	134	26,682		111	785	258,270		258,270
<b>94000 Total Maintenance</b>	<b>1,458,880</b>	<b>5,387</b>	<b>190,517</b>	<b>20</b>	<b>6,878</b>	<b>7,304</b>	<b>1,668,986</b>	<b>-</b>	<b>1,668,986</b>
95100 Protective Services - Labor	27,318						27,318		27,318
95200 Protective Services - Other Contract Costs	401,835		31,109		22		432,966		432,966
95500 Employee Benefit Contributions - Protective Services	15,025						15,025		15,025
<b>95000 Total Protective Services</b>	<b>444,178</b>	<b>-</b>	<b>31,109</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>475,309</b>	<b>-</b>	<b>475,309</b>
96110 Property Insurance	79,136		3,972		176		83,284		83,284
96120 Liability Insurance	46,092	938	7,569		139	8,238	62,976		62,976
96130 Workmen's Compensation	1,265	623	644	20	155	1,328	4,035		4,035
<b>96100 Total insurance Premiums</b>	<b>126,493</b>	<b>1,561</b>	<b>12,185</b>	<b>20</b>	<b>470</b>	<b>9,566</b>	<b>150,295</b>	<b>-</b>	<b>150,295</b>
96200 Other General Expenses	4,800	846					5,646		5,646
96300 Payments in Lieu of Taxes	11,076		9,195		2,505		22,776		22,776
96400 Bad debt - Tenant Rents	23,239		12,916		1,804		37,959		37,959
96800 Severance Expense	7,735	1,691		714	246	18,626	29,012		29,012
<b>96000 Total Other General Expenses</b>	<b>46,830</b>	<b>2,537</b>	<b>22,111</b>	<b>714</b>	<b>4,555</b>	<b>18,626</b>	<b>95,393</b>	<b>-</b>	<b>95,393</b>

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	Other Federal Program	Business Activities	COCC	Subtotal	ELIM	Total
96720 Interest on Notes Payable (Short and Long Term)	54,394						54,394		54,394
<b>96700 Total Interest Expense and Amortization Cost</b>	<b>54,394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,394</b>	<b>-</b>	<b>54,394</b>
<b>96900 Total Operating Expenses</b>	<b>4,445,387</b>	<b>523,047</b>	<b>631,273</b>	<b>23,081</b>	<b>78,958</b>	<b>634,997</b>	<b>6,336,743</b>	<b>-769,258</b>	<b>5,567,485</b>
<b>97000 Excess of Operating Revenue over Operating Expenses</b>	<b>-289,580</b>	<b>2,844,613</b>	<b>105,120</b>	<b>82,970</b>	<b>645,111</b>	<b>134,546</b>	<b>3,522,780</b>	<b>-</b>	<b>3,522,780</b>
97300 Housing Assistance Payments		3,008,909		84,736			3,093,645		3,093,645
97350 HAP Portability-In		23,870					23,870		23,870
97400 Depreciation Expense	1,100,964	4,046	129,939		6,986	10,720	1,252,655		1,252,655
<b>90000 Total Expenses</b>	<b>5,546,351</b>	<b>3,559,872</b>	<b>761,212</b>	<b>107,817</b>	<b>85,944</b>	<b>645,717</b>	<b>10,706,913</b>	<b>-769,258</b>	<b>9,937,655</b>
10010 Operating Transfer In		147,555		2,067			149,622	-149,622	-
10020 Operating transfer Out			-149,622				-149,622	149,622	-
<b>10100 Total Other financing Sources (Uses)</b>	<b>-</b>	<b>147,555</b>	<b>-149,622</b>	<b>2,067</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>-1,390,544</b>	<b>44,657</b>	<b>-174,441</b>	<b>301</b>	<b>638,125</b>	<b>123,826</b>	<b>-847,390</b>	<b>-</b>	<b>-847,390</b>
11030 Beginning Equity	14,887,147	70,311	3,819,265	1,937	18	1,130,650	19,909,328		19,909,328
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	1,469,000		-1,469,000				-		-
11170 Administrative Fee Equity		24,955					24,955		24,955
11180 Housing Assistance Payments Equity		719					719		719
11190 Unit Months Available	8,001	7,992	1,200	180	104		17,477		17,477
11210 Number of Unit Months Leased	7,542	7,992	1,200	180	104		17,018		17,018

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<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	\$ <u>2,433,486</u>
<b><u>Capital Fund Cluster</u></b>		
Capital Fund Program	14.872	<u>984,699</u>
<b><u>Section 8 Tenant Based Programs</u></b>		
Section 8 Housing Choice Voucher Program	14.871	<u>3,340,006</u>
<b><u>Section 8 Project Based Program Cluster</u></b>		
Section 8 New Construction	14.182	465,483
Section 8 Moderate Rehabilitation - Single Room Occupancy	14.249	<u>106,034</u>
<b>Total Section 8 Program Based Programs</b>		<u>571,517</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>7,329,708</u>
<b>Total Federal Expenditures</b>		<u>\$ 7,329,708</u>

This schedule is prepared on the accrual basis of accounting.

**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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**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, in accordance with the 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, the financial statements of the Jefferson Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 26, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Jefferson Metropolitan Housing Authority, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka,  
CPA, President

Digitally signed by James G. Zupka,  
CPA, President  
DN: cn=James G. Zupka, CPA,  
President, o=James G. Zupka, CPA,  
Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.06.27 17:14:32 -0400

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

June 26, 2014

**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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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

Board of Directors  
Jefferson Metropolitan Housing Authority  
Steubenville, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Report on Compliance for Each Major Federal Program**

We have audited the Jefferson Metropolitan Housing Authority, Ohio's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Jefferson Metropolitan Housing Authority, Ohio's major federal program for the year ended December 31, 2013. The Jefferson Metropolitan Housing Authority, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Jefferson Metropolitan Housing Authority, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. 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 Authority'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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Jefferson Metropolitan Housing Authority, Ohio's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Jefferson Metropolitan Housing Authority, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

### **Report on Internal Control Over Compliance**

Management of the Jefferson Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program 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 not express an opinion on the effectiveness of the 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. *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.

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, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka,  
CPA, President

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc.,  
ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.06.27 17:14:55 -0400

James G. Zupka CPA, Inc.  
Certified Public Accountants

June 26, 2014

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
DECEMBER 31, 2013**

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

2013(i)	Type of Financial Statement Opinion	Unmodified
2013(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2013(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2013(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2013(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2013(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2013(v)	Type of Major Programs' Compliance Opinion	Unmodified
2013(vi)	Are there any reportable findings under .510?	No
2013(vii)	Major Programs (list):  Low Rent Public Housing - CFDA # 14.850	
2013(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2013(ix)	Low Risk Auditee?	Yes

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

None.

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

None.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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The prior year audit report as of December 31, 2012, contained no findings or 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  
JULY 29, 2014**