

Jefferson Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Jefferson Metropolitan Housing Authority, Jefferson County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2004 through December 31, 2004. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 29, 2005

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JEFFERSON METROPOLITAN HOUSING AUTHORITY
 AUDIT REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Managements Discussion and Analysis	3-12
Statement of Net Assets - Proprietary Fund Type - Enterprise Fund	13-14
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund Type - Enterprise Fund	15
Statement of Cash Flows - Proprietary Fund Type – Enterprise Fund	16-17
Notes to the Financial Statements	18-27
Supplemental Data:	
Combining Balance Sheet - (FDS Schedule Format)	28-30
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - (FDS Schedule Format)	31–33
PHA's Statement and Certification of Actual Modernization Cost:	
- Grant Number OH12P01450101	34
- Grant Number OH12P01450102	35
- Resident Opportunity and Supportive Services	
o Grant Number OH02RSV014P0074	36
o Grant Number OH01RSV014P0143	37
Schedule of Expenditures of Federal Awards	38
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	39-40
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	41-42
Schedule of Findings and Questioned Costs	43
Schedule of Prior Audit Findings	44

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Independent Auditors' Report

Board of Directors
Jefferson Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying Financial Statements of Jefferson Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, as listed in the table of contents. These Financial Statements are the responsibility of the Jefferson Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of Jefferson Metropolitan Housing Authority, Ohio, as of December 31, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 26, 2005, on my consideration of Jefferson Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming and opinion on the Financial Statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Jefferson Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the Financial Statements. The combining financial data schedule ("FDS") and the PHA's statement and certification of actual modernization cost are presented for purposes additional analysis as required by the Department of Housing and Urban Development and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.
July 26, 2005

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

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

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

FINANCIAL HIGHLIGHTS

- The Authority’s net assets increased by \$194,000 (1%) including results from operations of \$194,000. Net assets were \$19,921,000 at 12/31/03 and \$20,115,000 at 12/31/04.
- Revenues of the entire Authority decreased by \$662,000 in 2004. Revenues were \$9,707,000 in 2003 and were \$9,045,000 in 2004.
- Total expenses of the entire Authority decreased by \$417,000 in 2004. Total expenses were \$9,268,000 in 2003 and \$8,851,000 in 2004.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

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

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

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended DECEMBER 31, 2004**

Unaudited

Authority-Wide Financial Statements

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

These statements include a Statement of Net 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 grant revenue, investment income and interest expense.

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

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

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

Fund Financial Statements

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

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

The Authority's Programs

Business Type Fund

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

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

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

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

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended DECEMBER 31, 2004**

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.

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

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

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

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

	<u>2004</u>	<u>Restated 2003</u>	<u>Change</u>
Current and Other Assets	\$ 4,473	\$ 5,720	\$ (1,247)
Capital Assets	16,340	16,295	45
Total Assets	<u>\$ 20,813</u>	<u>\$ 22,015</u>	<u>\$ (1,202)</u>
Current Liabilities	\$ 379	\$ 554	\$ (175)
Long-Term Liabilities	319	1,540	(1,221)
Total Liabilities	<u>698</u>	<u>2,094</u>	<u>(1,396)</u>
Net Assets:			
Investment in Capital Assets, net of Related Debt	16,340	14,875	1,465
Unrestricted Net Assets	3,775	5,046	(1,271)
Total Net Assets	<u>20,115</u>	<u>19,921</u>	<u>194</u>
Total Liabilities and Net Assets	<u>\$ 20,813</u>	<u>\$ 22,015</u>	<u>\$ (1,202)</u>

The 2003 financials were restated to eliminate inter-program due to / from

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended DECEMBER 31, 2004**

Unaudited

Major Factors Affecting the Statement of Net Assets

During 2004 current assets decreased by \$1,247,000 and total liabilities decreased by \$1,396,000. The current assets decrease was due to paying off its outstanding Bonds. The change in total liabilities was also the result in the payoff of the outstanding debt.

During 2004 Net Capital Assets increased by \$45,000. This was due to a normal replacement of Capital Assets net of depreciation expense for the year.

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

TABLE 2

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

(In thousands of dollars)

	<u>2004</u>	<u>Restated 2003</u>	<u>Change</u>
Current and Other Assets	\$ 4,473	\$ 5,720	\$ (1,247)
Capital Assets	16,340	16,295	45
Total Assets	<u>\$ 20,813</u>	<u>\$ 22,015</u>	<u>\$ (1,202)</u>
Current Liabilities	\$ 379	\$ 554	\$ (175)
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Total Net Assets	<u>20,115</u>	<u>19,921</u>	<u>194</u>
Total Liabilities and Net Assets	<u>\$ 20,813</u>	<u>\$ 22,015</u>	<u>\$ (1,202)</u>

The 2003 financial statements were restated to eliminate inter-program due to / from.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

TABLE 3

NET-ASSETS (EQUITY)

The following table shows the change in net assets of Jefferson Metropolitan Housing Authority for FYE 12/31/04:

(In thousands of dollars)

Net Assets 12/31/03	\$19,921
Net Income – 2004	194
Net Assets 12/31/04	<u>\$20,115</u>

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

Total revenues decreased by \$662,000 (7%) in 2004. The 2003 revenues were enhanced by the fact that an additional \$878,000* was drawn from HUD grants that were reported as revenue. The majority of this extra grant withdrawal was for Capital Improvements.

Total expenses decreased in 2004 by \$417,000 (5%). The decrease is due to the decrease in Administrative and Maintenance Wages.

Administrative expenses decreasing by \$278,000 and Maintenance expenses decreasing by \$246,000 are due to the Housing Authority implementation of cost cutting measures.

The change in net assets reflects the 2004 income and the prior period changes.

* Grant Withdrawals (in thousands of dollars)

	<u>2004</u>		<u>2003</u>		<u>Change</u>
Capital Fund Program	\$ 1,605	\$	2,380	\$	(775)
Drug Elimination Program	0		103		(103)
ROSS Grant – FSS	30		30		0
TOTAL GRANTS	\$ 1,635	\$	2,513	\$	(878)

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

CAPITAL ASSETS

As of year end, the Authority had \$16,340,000 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$45,000 from the end of last year.

TABLE 4

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION) (in thousands of dollars)

	<u>2004</u>		<u>2003</u>		<u>Change</u>
Land and Land Rights	\$ 2,541	\$	2,541	\$	-
Buildings	34,602		32,759		1,843
Equipment	2,895		2,874		21
Construction in Progress	686		1,379		(693)
Accumulated Depreciation	<u>(24,384)</u>		<u>(23,258)</u>		<u>(1,126)</u>
Total	<u>\$ 16,340</u>	\$	<u>16,295</u>	\$	<u>45</u>

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

TABLE 5

CHANGE IN CAPITAL ASSETS (in thousands of dollars)

Beginning Balance - December 31, 2003	\$ 16,295
Current year Additions	1,234
Current year Disposals net of Accum Depreciation	(2)
Proceeds for Sale of Assets	(3)
Current year Depreciation Expense	<u>(1,184)</u>
Ending Balance - December 31, 2004	<u>\$ 16,340</u>

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

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

DEBIT

Debt Outstanding

As of year-end, the Authority had no debt outstanding. During the fiscal year the Authority paid off its mortgage revenue bond that it owed for the financing of the acquisition of Gaylord Tower. The following was the activity for the year:

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

Beginning Balance - December 31, 2003	\$	1,420
Current Year Principal Payments		<u>(1,420)</u>
Ending Balance - December 31, 2004	\$	<u>-</u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

1. Federal funding provided by congress to the Department of Housing & Urban Development
 - a) Funding cuts to the Capital Fund Grants (CFP) and public housing operating funds (PFS), if continued, will cause property deterioration and operating losses for the Authority.
 - b) Funding restructuring (really funding cuts) in the Section 8 voucher program and also cuts in administration fees will force the Authority to reduce the number of low-income families helped. It will also cause a financial hardship on the Authority.
 - c) The discontinuation of the Drug Elimination Program (DEP) will force the Authority to reduce, if not discontinue, the security enforcement programs that have had excellent results in curtailing crime in projects.
2. Local labor and demand, which can affect salary and wage rates.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

3. Local inflationary, recessionary and employment trends, which can affect resident incomes, and therefore the amount of rental income.
 - a) Our resident's rents have continued to decline over the past several years. With PFS funding being reduced, this has a negative financial impact on the Authority.

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

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

5. Property condition – Elmer White Hi-Rise
At this time, the Authority is in the process of bidding the asbestos work on the building. This is the first step in the demolition process.

STRATEGIC PLANS

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

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

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

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

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

4. Section 8 Vouchers
 - a) The funding issues are being monitored so the Authority can maximize funding.
5. Properties
 - a) The Authority continues to pursue a Home-Ownership program to sell off some of the scattered sites.

FINANCIAL CONTACT

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

Jim Fullen

Jim Fullen, Assistant Director, JMHA

Joseph Costantini

Joseph Costantini, Exec. Director, JMHA

JEFFERSON METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
December 31, 2004

ASSETS

Current assets

Cash and cash equivalents	\$4,333,230
Receivables, net	27,172
Inventories, net	61,665
Prepaid expenses and other assets	50,455
Total current assets	<u>4,472,522</u>

Noncurrent assets

Capital assets:	
Land	2,541,310
Building and equipment	37,497,329
Construction in Progress	685,527
Less accumulated depreciation	(24,383,905)
Total noncurrent assets	<u>16,340,261</u>
Total assets	<u><u>\$20,812,783</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$91,535
Accrued liabilities	89,252
Intergovernmental payables	74,034
Tenant security deposits	107,380
Deferred revenue	210
Other current liabilities	16,978
Total current liabilities	<u>379,389</u>

Noncurrent liabilities

Accrued compensated absences non-current	264,052
Noncurrent liabilities - other	54,628
Total noncurrent liabilities	<u>318,680</u>
Total liabilities	<u><u>\$698,069</u></u>

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets - Continued
Proprietary Funds
December 31, 2004

NET ASSETS	
Invested in capital assets, net of related debt	\$16,340,261
Unrestricted net assets	3,774,453
Total net assets	<u><u>\$20,114,714</u></u>

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

OPERATING REVENUES

Tenant Revenue	\$934,411
Government operating grants	6,856,582
Other revenue	14,462
Total operating revenues	<u>7,805,455</u>

OPERATING EXPENSES

Administrative	1,698,132
Tenant services	3,216
Utilities	757,640
Maintenance	1,299,475
Protective services	268,504
General	325,473
Housing assistance payment	3,237,950
Depreciation	1,184,411
Total operating expenses	<u>8,774,801</u>
Operating income (loss)	<u>(969,346)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	93,266
Miscellaneous revenue	(1,342)
Interest expense	(76,606)
Total nonoperating revenues (expenses)	<u>15,318</u>
Income (loss) before contributions and transfers	(954,028)

Capital grants	1,147,809
Change in net assets	193,781
Total net assets - beginning	19,920,976
Prior Period Adjustment	(43)
Total net assets - ending	<u><u>\$20,114,714</u></u>

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$6,960,030
Tenant revenue received	940,008
Other revenue received	14,462
General and administrative expenses paid	(4,364,482)
Housing assistance payments	(3,237,950)
	<u>(3,237,950)</u>

Net cash provided (used) by operating activities **312,068**

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	93,266
	<u>93,266</u>

Net cash provided (used) by investing activities **93,266**

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Proceeds from sale of capital assets	3,173
Capital grant funds received	1,147,809
Debt principal payment	(1,420,000)
Interest paid on Debt	(76,606)
Property and equipment purchased	(1,234,327)
	<u>(1,234,327)</u>

Net cash provided (used) by capital and related activities **(1,579,951)**

Net increase (decrease) in cash	(1,174,617)
Prior period adjustment effecting cash	(43)
Cash and cash equivalents - Beginning of year	5,507,890
	<u>5,507,890</u>

Cash and cash equivalents - End of year **\$4,333,230**

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows - Continued
Proprietary Fund Type
For the Year Ended December 31, 2004

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income (Loss)	(\$969,346)
Activities	
- Depreciation	1,184,411
- (Increases) Decreases in Accounts Receivable	76,396
- (Increases) Decreases in Prepaid Assets	(4,043)
- (Increases) Decreases in Inventory	866
- Increases (Decreases) in Accounts Payable	2,615
- Increases (Decreases) in Accounts Payable - Intergovernmental	66,994
- Increases (Decreases) in Accrued Expenses Payable	(57,946)
- Increases (Decreases) in Deferred Revenue	130
- Increases (Decreases) in Other Current Liabilities	14,414
- Increases (Decreases) in Other Noncurrent Liabilities	11,549
- Increases (Decreases) in Accrued Compensated Absences	(12,889)
- Increases (Decreases) in Tenant Security Deposits	(1,083)
	<u> </u>
Net cash provided by operating activities	<u><u>\$312,068</u></u>

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Basis of Presentation

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

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the HUD programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities, which are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Description of programs

The 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 the Jefferson County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. **Capital Fund Program**

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

C. **Housing Choice Voucher Program**

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

D. **Resident Opportunity and Self Sufficiency**

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Section 8 New Construction Program

The Authority administers Section 8 rental assistance programs where the Department of Housing and Urban Development (HUD) enters into annual contributions contracts with a private owner. The owner 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 Activities

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

G. State and Local Funds

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

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2004 totaled \$93,266.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

Operating Revenues and Expenses

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Contributions

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

Cash and Cash Equivalents

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

Compensated Absences

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

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

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.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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: CASH AND INVESTMENTS

Deposits – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

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

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

Category 3 – Uncollateralized.

Deposits, categorized by level of risk, are:

<u>DESCRIPTION</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash and cash Equivalents	\$4,334,705	\$4,334,705	\$0	\$0	\$4,333,230
Total Deposits	\$4,334,705	\$4,334,705	\$0	\$0	\$4,333,230

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2004 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

NOTE 4: CAPITAL ASSETS

The following is a summary:

Land	\$2,541,310
Buildings	34,602,215
Furniture, Machinery and Equipment	2,895,114
Construction in Progress	<u>685,527</u>
 Total Capital Assets	 40,724,166
Accumulated Depreciation	<u>(24,383,905)</u>
 Net Capital Assets	 <u>\$16,340,261</u>

The following is a summary of changes:

	Balance 12/31/03	Adjust.	Additions	Deletion	Balance 12/31/04
Land	\$2,541,310	\$0	\$0	\$0	\$2,541,310
Buildings	32,759,118	1,821,254	21,843	0	34,602,215
Furnt, Mach. and Equip.	2,873,566	0	84,358	(62,810)	2,895,114
Construction in Progress	1,378,654	(1,821,254)	1,128,127	0	685,527
 Total Capital Assets	 <u>\$39,552,648</u>	 \$0	 \$1,234,328	 (\$62,810)	 <u>\$40,724,166</u>

The depreciation expense for the year ended December 31, 2004 was \$1,184,411.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer pension contribution rate for AUTHORITY was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority required contributions to PERS for the years ended December 31, 2004, 2003, and 2002 \$191,152, \$249,047 and \$187,384 respectively. Ninety-Two percent has been contributed for 2004. All required contributions for the two previous years have been paid.

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year ended September 30, 2004 was 5.0 percent of covered payroll, which amounted to \$70,536. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM** (Continued)

OPERS' latest actuarial review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2002 was \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

NOTE 8: PRIOR PERIOD ADJUSTMENTS

Prior period adjustment of \$43 was recorded to reflect adjustments made by HUD to the Housing Choice Voucher Program administration fees earned for the fiscal year ending December 31, 2003.

NOTE 9: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

The accompanying schedule of expenditure of federal award is a summary of the activity of the Authority's federal programs. This schedule has been prepared on the accrual basis of accounting.

NOTE 10: LONG-TERM DEBT

Multifamily Mortgage Revenue Refunding Bonds

During the fiscal year, the Authority payoff its mortgage revenue bond which had an outstanding balance of \$1,420,000.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 10: LONG-TERM DEBT (Continued)

The bonds were originally issued to finance the acquisition and rehabilitation of a multifamily residential rental project owned by Jefferson Metropolitan Housing Authority (JMHA) for persons of low income located in Steubenville, Ohio. The bonds were secured by a pledge of all rights, title and interest of the Issuer in the Housing Assistance Payment Contract between the United State Department of Housing and Urban Development and JMHA, with the respect of the project and the financing agreement of the owner derived from the operation of the project.

The following is a summary of the change in the Long-Term Debt for the year ended December 31, 2004:

<u>Description</u>	<u>Balance 01/01/04</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/04</u>
Multifamily Mortgage Revenue Bond	\$1,420,000	\$0	\$1,420,000	\$0

Jefferson Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$1,712,018.00	\$66,101.00	\$2,081,926.00	\$0.00	\$307,945.00	\$0.00	\$56.00	\$4,168,046.00
113	Cash - Other Restricted	\$0.00	\$0.00	\$10,905.00	\$0.00	\$43,723.00	\$0.00	\$0.00	\$54,628.00
114	Cash - Tenant Security Deposits	\$20,105.00	\$0.00	\$90,451.00	\$0.00	\$0.00	\$0.00	\$0.00	\$110,556.00
100	Total Cash	\$1,732,123.00	\$66,101.00	\$2,183,282.00	\$0.00	\$351,668.00	\$0.00	\$56.00	\$4,333,230.00
122	Accounts Receivable - HUD Other Projects	\$0.00	\$1,333.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,333.00
125	Accounts Receivable - Miscellaneous	\$0.00	\$0.00	\$3,180.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,180.00
126	Accounts Receivable - Tenants - Dwelling Rents	\$2,098.00	\$0.00	\$29,611.00	\$0.00	\$0.00	\$0.00	\$0.00	\$31,709.00
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$1,301.00)	\$0.00	(\$18,359.00)	\$0.00	\$0.00	\$0.00	\$0.00	(\$19,660.00)
126.2	Allowance for Doubtful Accounts - Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
128.1	Allowance for Doubtful Accounts - Fraud	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
129	Accrued Interest Receivable	\$2,842.00	\$0.00	\$7,768.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10,610.00
120	Total Receivables, net of allowances for doubtful accounts	\$3,639.00	\$1,333.00	\$22,200.00	\$0.00	\$0.00	\$0.00	\$0.00	\$27,172.00
142	Prepaid Expenses and Other Assets	\$0.00	\$0.00	\$50,455.00	\$0.00	\$0.00	\$0.00	\$0.00	\$50,455.00
143	Inventories	\$0.00	\$0.00	\$61,665.00	\$0.00	\$0.00	\$0.00	\$0.00	\$61,665.00
143.1	Allowance for Obsolete Inventories	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
144	Interprogram Due From	\$50,223.00	\$0.00	\$173,213.00	\$0.00	\$0.00	\$0.00	\$0.00	\$223,436.00
150	Total Current Assets	\$1,785,985.00	\$67,434.00	\$2,490,815.00	\$0.00	\$351,668.00	\$0.00	\$56.00	\$4,695,958.00
161	Land	\$70,000.00	\$0.00	\$2,471,310.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,541,310.00
162	Buildings	\$3,731,947.00	\$0.00	\$30,870,268.00	\$0.00	\$0.00	\$0.00	\$0.00	\$34,602,215.00
163	Furniture, Equipment & Machinery - Dwellings	\$26,584.00	\$0.00	\$2,099,334.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,125,918.00

Jefferson Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
164	Furniture, Equipment & Machinery - Administration	\$21,511.00	\$0.00	\$708,797.00	\$0.00	\$38,888.00	\$0.00	\$0.00	\$769,196.00
165	Leasehold Improvements	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
166	Accumulated Depreciation	(\$2,142,129.00)	\$0.00	(\$22,203,591.00)	\$0.00	(\$38,185.00)	\$0.00	\$0.00	(\$24,383,905.00)
167	Construction In Progress	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$685,527.00	\$0.00	\$685,527.00
160	Total Fixed Assets, Net of Accumulated Depreciation	\$1,707,913.00	\$0.00	\$13,946,118.00	\$0.00	\$703.00	\$685,527.00	\$0.00	\$16,340,261.00
180	Total Non-Current Assets	\$1,707,913.00	\$0.00	\$13,946,118.00	\$0.00	\$703.00	\$685,527.00	\$0.00	\$16,340,261.00
190	Total Assets	\$3,493,898.00	\$67,434.00	\$16,436,933.00	\$0.00	\$352,371.00	\$685,527.00	\$56.00	\$21,036,219.00
312	Accounts Payable <= 90 Days	\$9,448.00	\$0.00	\$82,087.00	\$0.00	\$0.00	\$0.00	\$0.00	\$91,535.00
321	Accrued Wage/Payroll Taxes Payable	\$2,427.00	\$305.00	\$61,791.00	\$0.00	\$4,631.00	\$0.00	\$0.00	\$69,154.00
331	Accounts Payable - HUD PHA Programs	\$0.00	\$1,191.00	\$0.00	\$0.00	\$72,843.00	\$0.00	\$0.00	\$74,034.00
332	Accounts Payable - PHA Projects	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
341	Tenant Security Deposits	\$20,105.00	\$0.00	\$87,275.00	\$0.00	\$0.00	\$0.00	\$0.00	\$107,380.00
342	Deferred Revenues	\$0.00	\$0.00	\$210.00	\$0.00	\$0.00	\$0.00	\$0.00	\$210.00
345	Other Current Liabilities	\$16,933.00	\$0.00	\$45.00	\$0.00	\$0.00	\$0.00	\$0.00	\$16,978.00
346	Accrued Liabilities - Other	\$0.00	\$0.00	\$20,098.00	\$0.00	\$0.00	\$0.00	\$0.00	\$20,098.00
347	Interprogram Due To	\$47,936.00	\$4,589.00	\$50,167.00	\$0.00	\$120,688.00	\$0.00	\$56.00	\$223,436.00
310	Total Current Liabilities	\$96,849.00	\$6,085.00	\$301,673.00	\$0.00	\$198,162.00	\$0.00	\$56.00	\$602,825.00
354	Accrued Compensated Absences - Non Current	\$24,547.00	\$2,264.00	\$140,944.00	\$0.00	\$96,297.00	\$0.00	\$0.00	\$264,052.00
353	Noncurrent Liabilities - Other	\$0.00	\$0.00	\$10,905.00	\$0.00	\$43,723.00	\$0.00	\$0.00	\$54,628.00
350	Total Noncurrent Liabilities	\$24,547.00	\$2,264.00	\$151,849.00	\$0.00	\$140,020.00	\$0.00	\$0.00	\$318,680.00
300	Total Liabilities	\$121,396.00	\$8,349.00	\$453,522.00	\$0.00	\$338,182.00	\$0.00	\$56.00	\$921,505.00

Jefferson Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
For The Year Ended December 31, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$259,236.00	\$0.00	\$667,725.00	\$0.00	\$0.00	\$0.00	\$0.00	\$926,961.00
704	Tenant Revenue - Other	\$0.00	\$0.00	\$7,450.00	\$0.00	\$0.00	\$0.00	\$0.00	\$7,450.00
705	Total Tenant Revenue	\$259,236.00	\$0.00	\$675,175.00	\$0.00	\$0.00	\$0.00	\$0.00	\$934,411.00
706	HUD PHA Operating Grants	\$0.00	\$403,912.00	\$2,191,158.00	\$30,600.00	\$3,304,775.00	\$457,327.00	\$0.00	\$6,387,772.00
706.1	Capital Grants	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,147,809.00	\$0.00	\$1,147,809.00
708	Other Government Grants	\$453,084.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$15,726.00	\$468,810.00
711	Investment Income - Unrestricted	\$61,928.00	\$0.00	\$31,253.00	\$0.00	\$85.00	\$0.00	\$0.00	\$93,266.00
713.1	Cost of Sale of Assets	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
714	Fraud Recovery	\$0.00	\$0.00	\$0.00	\$0.00	\$356.00	\$0.00	\$0.00	\$356.00
715	Other Revenue	\$2,303.00	\$0.00	\$10,601.00	\$0.00	\$0.00	\$0.00	\$1,202.00	\$14,106.00
716	Gain/Loss on Sale of Fixed Assets	\$0.00	\$0.00	(\$1,342.00)	\$0.00	\$0.00	\$0.00	\$0.00	(\$1,342.00)
720	Investment Income - Restricted	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
700	Total Revenue	\$776,551.00	\$403,912.00	\$2,906,845.00	\$30,600.00	\$3,305,216.00	\$1,605,136.00	\$16,928.00	\$9,045,188.00
911	Administrative Salaries	\$78,151.00	\$15,280.00	\$533,278.00	\$21,816.00	\$268,019.00	\$25,211.00	\$426.00	\$942,181.00
912	Auditing Fees	\$800.00	\$600.00	\$9,385.00	\$0.00	\$3,063.00	\$0.00	\$0.00	\$13,848.00
915	Employee Benefit Contributions - Administrative	\$31,455.00	\$6,112.00	\$241,579.00	\$8,726.00	\$107,207.00	\$10,084.00	\$171.00	\$405,334.00
916	Other Operating - Administrative	\$14,433.00	\$3,197.00	\$115,345.00	\$58.00	\$50,208.00	\$153,528.00	\$0.00	\$336,769.00
922	Relocation Costs	\$0.00	\$0.00	\$1,156.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,156.00
924	Tenant Services - Other	\$0.00	\$0.00	\$2,060.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,060.00
931	Water	\$16,638.00	\$0.00	\$117,873.00	\$0.00	\$0.00	\$0.00	\$0.00	\$134,511.00
932	Electricity	\$53,291.00	\$0.00	\$151,373.00	\$0.00	\$0.00	\$0.00	\$0.00	\$204,664.00
933	Gas	\$7,783.00	\$0.00	\$243,651.00	\$0.00	\$0.00	\$0.00	\$0.00	\$251,434.00
938	Other Utilities Expense	\$21,514.00	\$0.00	\$145,517.00	\$0.00	\$0.00	\$0.00	\$0.00	\$167,031.00
941	Ordinary Maintenance and Operations - Labor	\$53,109.00	\$0.00	\$405,121.00	\$0.00	\$0.00	\$0.00	\$0.00	\$458,230.00

Jefferson Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
For The Year Ended December 31, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
942	Ordinary Maintenance and Operations - Materials and Other	\$36,592.00	\$0.00	\$146,367.00	\$0.00	\$0.00	\$0.00	\$0.00	\$182,959.00
943	Ordinary Maintenance and Operations - Contract Costs	\$53,461.00	\$0.00	\$395,571.00	\$0.00	\$378.00	\$0.00	\$0.00	\$449,410.00
945	Employee Benefit Contributions - Ordinary Maintenance	\$21,376.00	\$0.00	\$183,522.00	\$0.00	\$0.00	\$0.00	\$0.00	\$204,898.00
951	Protective Services - Labor	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$23,125.00	\$0.00	\$23,125.00
952	Protective Services - Other Contract Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$236,129.00	\$0.00	\$236,129.00
955	Employee Benefit Contributions - Protective Services	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9,250.00	\$0.00	\$9,250.00
961	Insurance Premiums	\$26,454.00	\$0.00	\$201,279.00	\$0.00	\$2,300.00	\$0.00	\$0.00	\$230,033.00
962	Other General Expenses	\$42,785.00	\$0.00	\$5,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$47,785.00
964	Bad Debt - Tenant Rents	\$2,864.00	\$0.00	\$31,276.00	\$0.00	\$0.00	\$0.00	\$0.00	\$34,140.00
967	Interest Expense	\$76,606.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$76,606.00
968	Severance Expense	\$2,222.00	(\$2,543.00)	\$4,418.00	\$0.00	\$9,418.00	\$0.00	\$0.00	\$13,515.00
969	Total Operating Expenses	\$539,534.00	\$22,646.00	\$2,933,771.00	\$30,600.00	\$440,593.00	\$457,327.00	\$597.00	\$4,425,068.00
970	Excess Operating Revenue over Operating Expenses	\$237,017.00	\$381,266.00	(\$26,926.00)	\$0.00	\$2,864,623.00	\$1,147,809.00	\$16,331.00	\$4,620,120.00
971	Extraordinary Maintenance	\$0.00	\$0.00	\$3,978.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,978.00
973	Housing Assistance Payments	\$0.00	\$372,046.00	\$0.00	\$0.00	\$2,851,840.00	\$0.00	\$14,064.00	\$3,237,950.00
974	Depreciation Expense	\$123,610.00	\$0.00	\$1,058,979.00	\$0.00	\$1,822.00	\$0.00	\$0.00	\$1,184,411.00
900	Total Expenses	\$663,144.00	\$394,692.00	\$3,996,728.00	\$30,600.00	\$3,294,255.00	\$457,327.00	\$14,661.00	\$8,851,407.00
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$113,407.00	\$9,220.00	(\$1,089,883.00)	\$0.00	\$10,961.00	\$1,147,809.00	\$2,267.00	\$193,781.00
1103	Beginning Equity	\$3,259,039.00	\$49,865.00	\$15,232,358.00	\$0.00	\$3,271.00	\$1,378,654.00	(\$2,211.00)	\$19,920,976.00

Jefferson Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
For The Year Ended December 31, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$56.00	\$0.00	\$1,840,936.00	\$0.00	(\$43.00)	(\$1,840,936.00)	(\$56.00)	(\$43.00)
	Ending Equity	\$3,372,502.00	\$59,085.00	\$15,983,411.00	\$0.00	\$14,189.00	\$685,527.00	\$0.00	\$20,114,714.00
1102	Debt Principal Payments - Enterprise Funds	\$1,420,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,420,000.00
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0.00	\$449,468.00	\$0.00	\$0.00	\$3,258,452.00	\$0.00	\$0.00	\$3,707,920.00
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1115	Contingency Reserve, ACC Program Reserve	\$0.00	\$309,602.00	\$0.00	\$0.00	\$186,512.00	\$0.00	\$0.00	\$496,114.00
1116	Total Annual Contributions Available	\$0.00	\$759,070.00	\$0.00	\$0.00	\$3,444,964.00	\$0.00	\$0.00	\$4,204,034.00
1120	Unit Months Available	1,200	1,104	9,240	0	9,816	0	53	21,413
1121	Number of Unit Months Leased	1,169	1,104	8,273	0	9,554	0	53	20,153

Jefferson Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2004

Capital Fund Program Number OH12P01450101

1. The Program Costs are as follows:

Funds Approved	\$1,602,174
Funds Expended	<u>1,602,174</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$1,602,174
Funds Expended	<u>1,602,174</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on April 21, 2004.
4. The final costs on the certification agree to the Authority's records.

Jefferson Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2004

Capital Fund Program Number OH12P01450102

1. The Program Costs are as follows:

Funds Approved	\$1,538,947
Funds Expended	<u>1,538,947</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$1,538,947
Funds Expended	<u>1,538,947</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on October 25, 2004.
4. The final costs on the certification agree to the Authority's records.

Jefferson Metropolitan Housing Authority
PHA's Statement and Certification of Actual Costs
Resident Opportunity and Supportive Services
December 31, 2004

Resident Opportunity and Supportive Services Grant Number OH02RSV014P0074

1. The Program Costs are as follows:

Funds Approved	\$30,600
Funds Expended	<u>30,600</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$30,600
Funds Expended	<u>30,600</u>
Excess (Deficiency) of Funds Advanced	<u>\$ -0-</u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on December 29, 2004.
4. The final costs on the certification agree to the Authority's records.

Jefferson Metropolitan Housing Authority
PHA's Statement and Certification of Actual Costs
Resident Opportunity and Supportive Services
December 31, 2004

Resident Opportunity and Supportive Services Grant Number OH01RSV014P0143

1. The Program Costs are as follows:

Funds Approved	\$30,000
Funds Expended	<u>30,000</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$30,000
Funds Expended	<u>30,000</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on October 28, 2003.
4. The final costs on the certification agree to the Authority's records.

Jefferson Metropolitan Housing Authority
 Schedule of Expenditure of Federal Award
 For the Year Ended December 31, 2004

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development		
Direct Program		
Section 8 New Construction Program	14.182	\$403,912
Low Rent Public Housing	14.850a	2,191,158
Resident Opportunity and Supportive Services	14.870	30,600
Housing Choice Voucher Program	14.871	3,304,775
Public Housing Capital Fund Program	14.872	<u>1,605,136</u>
Total Expenditure of Federal Award		<u><u>\$7,535,581</u></u>



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

Board of Directors
Jefferson Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the Financial Statements of the Jefferson Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, and have issued my report thereon dated July 26, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jefferson Metropolitan Housing Authority, Ohio's Financial Statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Jefferson Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the Financial Statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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



Salvatore Consiglio, CPA, Inc.

July 26, 2005



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

Board of Directors
Jefferson Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Jefferson Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2004. Jefferson Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jefferson Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Jefferson Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Jefferson Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Jefferson Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Jefferson Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses.

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



Salvatore Consiglio, CPA, Inc.

July 26, 2005

Jefferson Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any materials internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.871 Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
--

There are no Findings or questioned costs for the year ended December 31, 2004.

3. FINDINGS REALTED TO FEDERAL AWARDS
--

There are no Findings or questioned costs for the year ended December 31, 2004.

Jefferson Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2004

The audit report for the fiscal year ending December 31, 2003 contained not audit finding.



**Auditor of State
Betty Montgomery**

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JEFFERSON METROPOLITAN HOUSING AUTHORITY

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 13, 2005**