JEFFERSON METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

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

Dave Yost • Auditor of State

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

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, 2012 through December 31, 2012. 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.

Dave Yost
Auditor of State

July 12, 2013

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JEFFERSON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jefferson Metropolitan Housing Authority
Steubenville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

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, 2012, 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, 2012, 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 Statement of Modernization Costs - Completed and 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 Statement of Modernization Cost - Completed, 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 Statement of Modernization Cost-Completed, 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 10, 2013, 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, Inc.

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

June 10, 2013

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 $2,403,000 (11 percent) due to results from operations. Net position was $22,312,000 at December 31, 2011 and $19,909,000 at December 31, 2012.

- Revenues of the Authority decreased by $1,289,000 in 2012. Revenues were $8,381,000 in 2011 and $7,092,000 in 2012.

- Total expenses of the Authority decreased by $168,000 in 2012. Total expenses were $9,663,000 in 2011 and $9,495,000 in 2012.

The following graphic outlines the format of this report:

MD&A
- Management Discussion and Analysis

Basic Financial Statements
- Authority-Wide Financial Statements

Other Required Supplementary Information

- Required Supplementary Information
(Other than MD&A)

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

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.

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.

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)

	2012	2011	Change
Assets			
Current and Other Assets	$ 6,472	$ 8,256	$ (1,784)
Capital Assets	14,241	14,814	(573)
Total Assets	$ 20,713	$ 23,070	$ (2,357)
Liabilities			
Current Liabilities	$ 674	$ 514	$ 160
Long-term Liabilities	130	244	(114)
Total Liabilities	804	758	46
Net Position			
Investment in Capital Assets	14,241	14,814	(573)
Restricted	292	342	(50)
Unrestricted	5,376	7,156	(1,780)
Total Net Position	19,909	22,312	(2,403)
Total Liabilities and Net Position	$ 20,713	$ 23,070	$ (2,357)

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

Major Factors Affecting the Statement of Net Position

During 2012 current assets decreased by $1,784,000 and current liabilities increased by $160,000. The current asset decrease is mainly due to the $1,400,000 funding cut by HUD in 2012. Also the Section 8 program is not being fully funded. Total liabilities increased by $46,000 for the year. This increase is small and is just the cost of doing regular business.

During 2012 Net Investment in Capital Assets debt decreased by $573,000.

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)

	2012	2011	Change
Revenues			
Total Tenant Revenues	$ 953	$ 856	97
Operating Subsidies and Capital Grants	6,113	7,517	(1,404)
Investment Income	14	14	0
Other Revenues	12	(6)	18
Total Revenues	7,092	8,381	(1,289)
Expenses			
Administrative	1,759	1,578	181
Utilities	1,136	1,039	97
Maintenance	1,740	1,703	37
Protective Services	480	444	36
General Expenses	280	308	(28)
Housing Assistance Payments	2,781	3,327	(546)
Depreciation	1,319	1,264	55
Total Expenses	9,495	9,663	(168)
Net Increases (Decreases)	$ (2,403)	$ (1,282)	$ (1,121)

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 decreased by $1,289,000 (15 percent) in 2012. This was due to the HUD Operating Reserve Offset which reduced our subsidy by $1,400,000.

Total expenses decreased in 2012 by $168,000 (2 percent). The decrease is due to a decrease 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, 2012:

Table 3 - Net Position (Equity)

	Unrestricted Net Position	Restricted Net Position	Investment in Capital Assets
Beginning Balance - December 31, 2011	$ 7,156	$ 342	$ 14,814
Results of Operation	(2,403)	0	0
Adjustments:			
Current Year Depreciation Expense	1,319	0	(1,319)
Capital Expenditure	(662)	(84)	746
Transfer to Restricted Net Position	(34)	34	0
Ending Balance - December 31, 2012	$ 5,376	$ 292	$ 14,241

Capital Assets

As of year end, the Authority had $14,241,000 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of $573,000 or 4 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)

	2012	2011
Land and Land Rights	$ 2,652	$ 2,652
Buildings	35,746	35,261
Equipment	1,738	1,712
Accumulated Depreciation	(26,355)	(25,090)
Construction in Progress	460	279
Total Capital Assets, Net	$ 14,241	$ 14,814

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

Beginning Balance - December 31, 2011	$	14,814
Current Year Additions		746
Current Year Depreciation Expense		(1,319)
Ending Balance - December 31, 2012	$	14,241

Current Year Additions are summarized as follows:

- BVA Entry System	$	7
- Exterior Storm Doors		245
- Heating System		4
- Storm Drains and Dumpsters		17
- Unit Renovations - Scattered Sites		19
- Handicap Unit Conversions		32
- Vehicles		68
- Roof Replacement		354
Total 2012 Additions	$	746

The current year additions represented various capital improvements such as: FOB entry system, exterior storm doors, unit renovations, storm drains, handi-cap unit conversions, heating system upgrades, vehicles purchased, roof replacements, and various other items.

Debt Outstanding

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

Economic Factors

Significant economic factors affecting the Authority are as follows:

1. Federal funding provided by Congress to the Department of Housing and Urban Development

2. Local labor and demand, which can affect salary and wage rates.

3. Local inflationary, recessionary and employment trends, which can affect resident incomes, and therefore the amount of rental income

4. Inflationary pressure on utility rates, supplies and other costs.

5. Property condition.

Financial Contact

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 5,801,119
Restricted Cash and Cash Equivalents	506,700
Receivables, Net	19,214
Inventories, Net	13,275
Prepaid Expenses and Other Assets	131,424
Total Current Assets	6,471,732
Noncurrent Assets	
Non-depreciable Capital Assets	3,112,129
Depreciable Capital Assets, Net	11,129,465
Total Noncurrent Assets	14,241,594
TOTAL ASSETS	$ 20,713,326
LIABILITIES	
Current Liabilities	
Accounts Payable	$ 104,484
Accrued Compensated Absences	128,311
Accrued Liabilities	201,963
Tenant Security Deposits	130,526
Other Current Liabilities	108,495
Total Current Liabilities	673,779
Noncurrent Liabilities	
Accrued Compensated Absences - Non-Current	130,219
Total Noncurrent Liabilities	130,219
Total Liabilities	803,998
NET POSITION	
Net Investment in Capital Assets	14,241,594
Restricted	291,641
Unrestricted	5,376,093
Total Net Position	19,909,328
TOTAL LIABILITIES AND NET POSITION	$ 20,713,326

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, 2012

Operating Revenues	
Government Grants	$ 5,487,365
Tenant Revenue	953,490
Other Revenue	13,406
Total Operating Revenues	6,454,261
Operating Expenses	
Administrative	1,759,484
Protection Services	480,306
Utilities	1,135,427
Maintenance	1,740,105
General	280,353
Housing Assistance Payments	2,780,790
Total Operating Expenses Before Depreciation	8,176,465
Income (Loss) Before Depreciation	(1,722,204)
Depreciation	1,318,861
Operating Income (Loss)	(3,041,065)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	13,664
Loss on Disposal of Capital Assets	(1,125)
Total Non-Operating Revenues (Expenses)	12,539
Income (Loss) Before Capital Grants	(3,028,526)
Capital Grants	625,547
Change in Net Position	(2,402,979)
Total Net Position, Beginning of Year	22,312,307
Net Position, End of Year	$ 19,909,328

See accompanying notes to the basic financial statements.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows from Operating Activities	
Operating Grants Received	$ 5,490,015
Total Revenue Received	963,932
Other Revenue Received	13,406
General and Administrative Expenses Paid	(5,345,406)
Housing Assistance Payments	(2,780,790)
Net Cash Provided (Used) by Operating Activities	(1,658,843)
Cash Flows from Capital and Related Financing Activities	
Capital Grant Funds Received	625,547
Property and Equipment Purchased	(747,349)
Net Cash Provided (Used) by Capital and Related Financing Activities	(121,802)
Cash Flows from Investing Activities	
Interest Income	13,664
Net Cash Provided (Used) by Investing Activities	13,664
Net Increase (Decrease) in Cash	(1,766,981)
Cash and Cash Equivalents, Beginning of Year	8,074,800
Cash and Cash Equivalents, Ending of Year	$ 6,307,819
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (3,041,065)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	1,318,861
(Increase) Decrease in:	
Accounts Receivable	12,386
Prepaid Assets	314
Inventory	4,950
Increase (Decrease) in:	
Accounts Payable	(30,155)
Intergovernmental Payable	
Accrued Compensated Absences	(18,988)
Accrued Expenses Payable	59,390
Tenants' Security Deposits	706
Other Liabilities	34,758
Net Cash Provided by Operating Activities	$ (1,658,843)

See accompanying notes to the basic financial statements.

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.

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.

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.

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

Description of Programs (Continued)

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

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

Investments
The provisions of the HUD Regulations restrict investments. Investments are valued at market value. The Authority held no investments during 2012. Interest income earned in fiscal year ending December 31, 2012 totaled $13,664.

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.

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

Operating Revenues and Expenses

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

Capital Contributions

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

Cash and Cash Equivalents

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

Compensated Absences

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

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

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

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

Description	Balance 12/31/2011	Increase	Decrease	Balance 12/31/2012	Current Portion
Liability Amount	$ 277,518	$ 27,797	$ (46,785)	$ 258,530	$ 128,311

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

Net Position

Net position represent the difference between assets and liabilities. Net position 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 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.

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

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

At fiscal year end December 31, 2012, the carrying amount of the Authority's deposits totaled $6,307,819 (including $100 petty cash) and its bank balance was $6,407,302. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2012, $5,907,302 was exposed to custodial risk as discussed below, while $500,000 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 at June 30, 2012.

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

NOTE 3: **RESTRICTED CASH**

The restricted cash balance as of December 31, 2012 of $506,700 represents cash on hand for the following:

- FSS Escrow Funds Held for Tenants	$ 84,533
- Tenant Security Deposits	130,526
- Cash Advance from HUD to be Used for Housing Assistance	33,978*
- Restricted Assets from Sale of Property	257,663*
Total Restricted Cash	$ 506,700

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

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2012 by class is as follows:

	Balance 01/01/2012	Adjustments	Additions	Deletions	Balance 12/31/2012
Capital Assets Not Being Depreciated					
Land	$ 2,651,882	$ 0	$ 0	$ 0	$ 2,651,882
Construction in Progress	279,182	0	625,547	(444,482)	460,247
Total Capital Assets Not Being Depreciated	2,931,064	0	625,547	(444,482)	3,112,129
Capital Assets Being Depreciated					
Buildings and Improvements	35,260,592	0	486,109	0	35,746,701
Furniture, Machinery and Equipment					
- Dwelling	900,739	0	11,479	(37,041)	875,177
- Administration	811,418	0	68,695	(17,259)	862,854
Subtotal Capital Assets Being Depreciated	36,972,749	0	566,283	(54,300)	37,484,732
Accumulated Depreciation					
Buildings & Improvements	(23,712,912)	0	(1,240,994)	0	(24,953,906)
Furniture, Machinery and Equipment					
- Dwelling	(647,726)	1	(47,030)	37,041	(657,714)
- Administration	(728,944)	0	(30,837)	16,134	(743,647)
Total Accumulated Depreciation	(25,089,582)	1	(1,318,861)	53,175	(26,355,267)
Capital Assets Being Depreciated, Net	11,883,167	1	(752,578)	(1,125)	11,129,465
Total Capital Assets, Net	$ 14,814,231	$ 1	$ (127,031)	$ (445,607)	$ 14,241,594

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NOTE 5: **DEFINED BENEFIT PENSION PLAN**

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

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;

- The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.

- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, 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, 2012, 2011, and 2010, were $224,460, $226,362, and $217,456, respectively. Ninety-two percent has been contributed for 2012. All required contributions for the two previous years have been paid.

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.

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 2012, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for calendar year 2012. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended December 31, 2012, 2011 and 2010, which were used to fund post-employment benefits were \$78,957, \$64,675, and \$64,131, respectively.

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

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NOTE 7: **SCHEDULE OF EXPENDITURE OF FEDERAL AWARD**

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

NOTE 8: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2012 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 9: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

For 2012, the Authority has implemented GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or non-governmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Authority.

NOTE 9: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS** (Continued)

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 changed the presentation of the Authority's financial statements to incorporate the concept of net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources and deferred inflows of resources,* such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Authority.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
STATEMENTS OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

Annual Contribution Contract C- 922

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

OH12P01450109	
Funds Approved	$ 929,872
Funds Expended	929,872
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 929,872
Funds Expended	929,872
Excess (Deficiency) of Funds Advanced	$ 0

2. All modernization work in connection with the Capital Fund Program has been completed.

3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.

4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2012

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	8 Other Federal Program 1	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	1,457,514	210,452	3,054,070	4,759	3,000	1,071,324	5,801,119		5,801,119
112 Cash - Restricted - Modernization and Development	257,663						257,663		257,663
113 Cash - Other Restricted		118,511					118,511		118,511
114 Cash - Tenant Security Deposits	110,530		19,996				130,526		130,526
100 Total Cash	1,825,707	328,963	3,074,066	4,759	3,000	1,071,324	6,307,819	0	6,307,819
122 Accounts Receivable - HUD Other Projects				1,782			1,782		1,782
125 Accounts Receivable - Miscellaneous	400	893					1,293		1,293
126 Accounts Receivable - Tenants	22,516		10,011				32,527		32,527
126.1 Allowance for Doubtful Accounts -Tenants	-10,696		-5,692				-16,388		-16,388
120 Total Receivables, Net of Allowances for Doubtful Accounts	12,220	893	4,319	1,782	0	0	19,214	0	19,214
142 Prepaid Expenses and Other Assets	112,671	848	10,363			7,542	131,424		131,424
143 Inventories	11,734		3,018				14,752		14,752
143.1 Allowance for Obsolete Inventories	-1,175		-302				-1,477		-1,477
144 Inter Program Due From					200	167,160	167,360	-167,360	0
150 Total Current Assets	1,961,157	330,704	3,091,464	6,541	3,200	1,246,026	6,639,092	-167,360	6,471,732
161 Land	2,581,882		70,000				2,651,882		2,651,882
162 Buildings	31,971,551		3,775,150				35,746,701		35,746,701
163 Furniture, Equipment & Machinery - Dwellings	801,866		73,311				875,177		875,177
164 Furniture, Equipment & Machinery - Administration	464,674	35,059	42,145			320,976	862,854		862,854
166 Accumulated Depreciation	-22,925,136	-27,228	-3,130,502			-272,401	-26,355,267		-26,355,267
167 Construction in Progress	460,247						460,247		460,247
160 Total Capital Assets, Net of Accumulated Depreciation	13,355,084	7,831	830,104	0	0	48,575	14,241,594	0	14,241,594
180 Total Non-Current Assets	13,355,084	7,831	830,104	0	0	48,575	14,241,594	0	14,241,594
190 Total Assets	15,316,241	338,535	3,921,568	6,541	3,200	1,294,601	20,880,686	-167,360	20,713,326

JEFFERSON METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2012

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	8 Other Federal Program 1	1 Business Activities	COCC	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	85,674	518	17,570	2		720	104,484		104,484
321 Accrued Wage/Payroll Taxes Payable	35,722	8,055	6,708	533	1,448	44,471	96,937		96,937
322 Accrued Compensated Absences - Current Portion	30,186		7,386	2,273		88,466	128,311		128,311
341 Tenant Security Deposits	110,530		19,996				130,526		130,526
345 Other Current Liabilities	12,242	84,533	11,720				108,495		108,495
346 Accrued Liabilities - Other	61,080	2,729	10,720	168	35	30,294	105,026		105,026
347 Inter Program - Due To		163,604	1,905	152	1,699		167,360	-167,360	0
310 Total Current Liabilities	335,434	259,439	76,005	3,128	3,182	163,951	841,139	-167,360	673,779
354 Accrued Compensated Absences - Non Current	93,660	8,785	26,298	1,476			130,219		130,219
350 Total Non-Current Liabilities	93,660	8,785	26,298	1,476	0	0	130,219	0	130,219
300 Total Liabilities	429,094	268,224	102,303	4,604	3,182	163,951	971,358	-167,360	803,998
508.1 Invested In Capital Assets, Net of Related Debt	13,355,084	7,831	830,104			48,575	14,241,594		14,241,594
511.1 Restricted Net Assets	257,663	33,978					291,641		291,641
512.1 Unrestricted Net Assets	1,274,400	28,502	2,989,161	1,937	18	1,082,075	5,376,093		5,376,093
513 Total Equity/Net Assets	14,887,147	70,311	3,819,265	1,937	18	1,130,650	19,909,328	0	19,909,328
600 Total Liabilities and Equity/Net Assets	15,316,241	338,535	3,921,568	6,541	3,200	1,294,601	20,880,686	-167,360	20,713,326

JEFFERSON METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	8 Other Federal Program 1	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	675,381		274679				950,060		950,060
70400 Tenant Revenue - Other	3,430						3,430		3,430
70500 Total Tenant Revenue	678,811	0	274679	0	0	0	953,490	0	953,490
70600 HUD PHA Operating Grants	1,800,458	3,119,655	477430	89,822			5,487,365		5,487,365
70610 Capital Grants	625,547						625,547		625,547
70710 Management Fee						532,808	532,808	-532,808	0
70720 Asset Management Fee						80,260	80,260	-80,260	0
70730 Book Keeping Fee						115,627	115,627	-115,627	0
70700 Total Fee Revenue	0	0	0	0	0	728,695	728,695	-728,695	0
71100 Investment Income - Unrestricted	7,971	267	4997	12		230	13,477		13,477
71400 Fraud Recovery		717					717		717
71500 Other Revenue	10,051		2,638				12,689		12,689
71600 Gain or Loss on Sale of Capital Assets	-1,125						-1,125		-1,125
72000 Investment Income - Restricted		187					187		187
70000 Total Revenue	3,121,713	3,120,826	759,744	89,834	0	728,925	7,821,042	-728,695	7,092,347
91100 Administrative Salaries	350,607	209,446	103,046	15,101	1,392	320,316	999,908		999,908
91200 Auditing Fees	12731	2000	1913	1000		541	18,185		18,185
91300 Management Fee	435,668	97,140					532,808	-532,808	0
91310 Book-keeping Fee	54915	60712					115,627	-115627	0
91400 Advertising and Marketing	4,266		3,522			317	8,105		8,105
91500 Employee Benefit contributions - Administrative	167531	88614	54892	6410	35	147861	465,343		465,343
91600 Office Expenses	63,788	42581	14,580	189	1179	48111	170,428		170,428
91700 Legal Expense			5,482		400	9,918	15,800		15,800
91800 Travel	19,382	2780	2,562	11		831	25,566		25,566
91900 Other	50,067	590	1,287			4205	56,149		56,149
91000 Total Operating - Administrative	1,158,955	503,863	187284	22,711	3,006	532,100	2,407,919	-648,435	1,759,484

JEFFERSON METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	8 Other Federal Program 1	1 Business Activities	COCC	Subtotal	ELIM	Total
92000 Asset Management Fee	80,260						80,260	-80,260	0
92400 Tenant Services - Other	496						496		496
92500 Total Tenant Services	496	0	0	0	0	0	496	0	496
93100 Water	273,346		31,107			784	305,237		305,237
93200 Electricity	459,632		97529			3030	560,191		560,191
93300 Gas	15,488		6,704				22,192		22,192
93600 Sewer	221,626		25,540			641	247,807		247,807
93000 Total Utilities	970,092	0	160,880	0	0	4,455	1,135,427	0	1,135,427
94100 Ordinary Maintenance and Operations - Labor	527,111	107	53,899		133	790	582,040		582,040
94200 Ordinary Maintenance and Operations - Materials and Other	236,082	2,898	28,874	12		1,793	269,659		269,659
94300 Ordinary Maintenance and Operations Contracts	534,324	843	72,029	3		211	607,410		607,410
94500 Employee Benefit Contributions - Ordinary Maintenance	251,866	45	28,712		8	365	280,996		280,996
94000 Total Maintenance	1,549,383	3,893	183,514	15	141	3,159	1,740,105	0	1,740,105
95100 Protective Services - Labor	27,748						27,748		27,748
95200 Protective Services - Other Contract Costs	409,239		28,058				437,297		437,297
95500 Employee Benefit Contributions - Protective Services	15,261						15,261		15,261
95000 Total Protective Services	452,248	0	28,058	0	0	0	480,306	0	480,306
96110 Property Insurance	77,392		3,878				81,270		81,270
96120 Liability Insurance	46,196	1,036	7,667			7,515	62,414		62,414
96130 Workmen's Compensation	24,958	5,631	4,694	357	35	6,345	42,020		42,020
96100 Total insurance Premiums	148,546	6,667	16,239	357	35	13,860	185,704	0	185,704
96200 Other General Expenses	3,200						3,200		3,200
96300 Payments in Lieu of Taxes	11,212		11,480				22,692		22,692
96400 Bad debt - Tenant Rents	35,686		4,778				40,464		40,464
96800 Severance Expense	17,126	1,005	3,025	181		6,460	27,797		27,797
96000 Total Other General Expenses	67,224	1,005	19,283	181	0	6,460	94,153	0	94,153
96900 Total Operating Expenses	4,427,204	515,428	595,258	23,264	3,182	560,034	6,124,370	-728,695	5,395,675
97000 Excess of Operating Revenue over Operating Expenses	-1,305,491	2,605,398	164,486	66,570	-3,182	168,891	1,696,672	0	1,696,672

JEFFERSON METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	8 Other Federal Program 1	1 Business Activities	COCC	Subtotal	ELIM	Total
97300 Housing Assistance Payments		2,711,830		68,960			2,780,790		2,780,790
97400 Depreciation Expense	1,182,439	4,046	126,577			5,799	1,318,861		1,318,861
90000 Total Expenses	5,609,643	3,231,304	721,835	92,224	3,182	565,833	10,224,021	-728,695	9,495,326
10010 Operating Transfer In	228,061						228,061	-351,261	-123,200
10020 Operating transfer Out	-228,061						-228,061	351,261	123,200
10100 Total Other financing Sources (Uses)	0	0	0	0	0	0	0	0	0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-2,487,930	-110,478	37,909	-2,390	-3,182	163,092	-2,402,979	0	-2,402,979
11030 Beginning Equity	17,375,077	60,789	3,904,556	4,327	0	967,558	22,312,307		22,312,307
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		120,000	-123,200		3,200		0		0
11170 Administrative Fee Equity		36,333					36,333		36,333
11180 Housing Assistance Payments Equity		33,978					33,978		33,978
11190 Unit Months Available	8,026	9,816	1,200	360	0		19,402		19,402
11210 Number of Unit Months Leased	7,322	8,094	1,200	360	0		16,976		16,976
11270 Excess Cash	889,217						889,217		889,217
11620 Building Purchases	667,174					0	667,174		667,174
11630 Furniture & Equipment - Dwelling Purchases	11,479					0	11,479		11,479
11640 Furniture & Equipment - Administrative Purchases	18,372					49,198	67,570		67,570

JEFFERSON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public Housing Programs		
Low Rent Public Housing Program	14.850	$ 1,412,576
Capital Fund Cluster		
Capital Fund Program	14.872	1,013,429
Total Public Housing Programs		2,426,005
Section 8 Tenant Based Programs		
Section 8 Housing Choice Voucher Program	14.871	3,119,655
Total Section 8 Tenant Based Programs		3,119,655
Section 8 Project Based Program Cluster		
Section 8 New Construction	14.182	477,430
Section 8 Moderate Rehabilitation - Single Room Occupancy	14.249	89,822
Total Section 8 Program Based Programs		567,252
Total U.S. Department of Housing and Urban Development		6,112,912
Total Federal Expenditures		$ 6,112,912

This schedule is prepared on the accrual basis of accounting.

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Certified Public Accountants
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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, 2012, 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 10, 2013.

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, Inc.

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

June 10, 2013

JAMES G. ZUPKA, C.P.A., INC.
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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, 2012. 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, 2012.

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, Inc.

James G. Zupka CPA, Inc.
Certified Public Accountants

June 10, 2013

JEFFERSON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2012

1. SUMMARY OF AUDITOR'S RESULTS

2012(i)	Type of Financial Statement Opinion	Unmodified
2012(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2012(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2012(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2012(v)	Type of Major Programs' Compliance Opinion	Unmodified
2012(vi)	Are there any reportable findings under .510?	No
2012(vii)	Major Programs (list): Section 8 Housing Choice Voucher - CFDA # 14.871	
2012(viii)	Dollar Threshold: Type A\B Programs	Type A: >$300,000 Type B: all others
2012(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, 2012

Finding Number	Finding Summary	Fully Corrected?	Explain
2011-01	Monitoring Compliance with Davis-Bacon Act	Yes	Corrected in 2012

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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
JULY 25, 2013

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