

FAYETTE METROPOLITAN HOUSING AUTHORITY

Fayette County, Ohio

Financial Statements

For the Year Ended December 31, 2012



Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Dave Yost • Auditor of State

Board of Commissioners
Fayette Metropolitan Housing Authority
Washington Courthouse, Ohio 43160

We have reviewed the *Independent Auditor's Report* of the Fayette Metropolitan Housing Authority, Fayette County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, 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 Fayette Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 11, 2013

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FAYETTE METROPOLITAN HOUSING AUTHORITY

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Independent Auditor's Report

September 20, 2013

Members of the Board of Commissioners
Fayette Metropolitan Housing Authority
Washington Courthouse, OH 43160

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Fayette Metropolitan Housing Authority (the Authority), Fayette County, which comprise the statement of net position as of December 31, 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount 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 entity'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 entity'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2012, and the respective changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11, during 2012 the Authority adopted Governmental Accounting Standards Board Statement No. 60, *Accounting and Financial Reporting or Service Concession Arrangements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No.65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 opinions on the financial statements as a whole. The accompanying supplemental financial data schedules presented on pages 23 through 26 are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, Office of the Inspector General and are not a required part of the financial statements. The schedule of expenditures of federal awards provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is presented for purpose of and is not a required part of the basic financial statements.

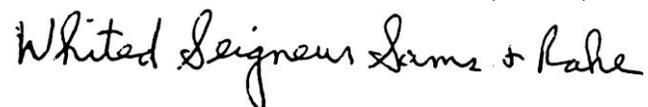
The supplemental financial data schedules and schedule of expenditures of federal awards are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare 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 supplemental financial data schedules and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE, CPAs, LLP

A handwritten signature in cursive script that reads "Whited Seigneur Sams & Rahe".

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2012
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fayette Metropolitan Housing Authority's (the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent fiscal year challenges), 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 currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 11).

FINANCIAL HIGHLIGHTS

- During 2012, the Authority's net assets decreased by \$241,983 (or 40.23%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Position was \$331,822 and \$573,805 for 2012 and 2011, respectively.
- The revenue decreased by \$297,000 (or 13.44%) during 2012 and was \$1,914,090 and \$2,211,090 for 2012 and 2011, respectively.
- The total expenses of the Authority decreased by \$8,514 (or less than 1%). Total expenses were \$2,156,073 and \$2,147,559 for 2012 and 2011, respectively.

USING THIS ANNUAL REPORT

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

| |
|---|
| MD&A ~ Management Discussion And Analysis ~ |
| Basic Financial Statements ~Authority-Wide Financial Statements~ |
| Other Required Supplementary Information ~ Required Supplementary Information~ (Other than MD&A) |

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2012
(Unaudited)

The primary focus of the Authority's financial statement is on the Authority as a whole (Authority-wide).

Authority-Wide Financial Statements

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

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement 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 net assets. 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 (formerly net assets) are reported in three broad categories:

Invested in Capital Assets, Net of Related Debt: 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: This component of net position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted: Consists of net position that does not meet the definition of "net position invested in capital assets, net of related debt", or "restricted net position".

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 grant revenue, investment income and interest expense.

The focus of the statement of revenues, expenses and changes in net position is the "change in net position", which is similar to net income or loss.

Finally, 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 is accounted for as an Enterprise Fund. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector.

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2012
(Unaudited)

The Authority's Programs

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

Other Programs- In addition to the housing choice voucher program, the Authority also operates the following programs:

Section 8 New Construction Program – Provides housing assistance payments to participating owners on behalf of eligible tenants occupying the units under a lease agreement between the landlords and tenants.

Business Activities – represents non-HUD resources developed from a variety of activities.

AUTHORITY-WIDE STATEMENT

Statement of Net Position

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

TABLE 1
STATEMENT OF NET POSITION

| | 2012 | (Restated) 2011 |
|-------------------------------|----------------|----------------------------|
| Current and Other Assets | \$ 324,958 | \$ 647,101 |
| Capital Assets | <u>843,386</u> | <u>1,015,526</u> |
| Total Assets | 1,168,344 | 1,662,627 |
| Current Liabilities | 70,102 | 97,280 |
| Long-Term Liabilities | <u>750,637</u> | <u>991,542</u> |
| Total Liabilities | 820,739 | 1,088,822 |
| Deferred Inflows of Resources | <u>15,783</u> | <u>-</u> |

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2012
(Unaudited)

TABLE 1
STATEMENT OF NET POSITION (CONTINUED)

| | 2012 | (Restated) 2011 |
|--|-------------------------|----------------------------|
| Net Position: | | |
| Invested in Capital Assets, net of related debt | \$ 61,190 | \$ 3,275 |
| Restricted | 30,304 | 176,771 |
| Unrestricted | <u>240,328</u> | <u>393,759</u> |
| Total Net Position | <u>331,822</u> | <u>573,805</u> |
| Total Liabilities, Deferred Inflows and Net Position | <u>\$ 1,168,344</u> | <u>\$ 1,662,627</u> |

For more detailed information see page 11 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Current assets were decreased by \$322,143 or 49.79% in fiscal year 2012 and liabilities also decreased during 2012 by \$268,083 or 24.63%.

Capital Assets were decreased by a net amount of \$172,140. The new purchases of equipment and improvements, the sale of 780 Gregg St unit and the current year's depreciation will account for this year's decrease.

For more detail see "Capital Assets and Debt Administration" below.

The following table presents details on the change in Net Position.

TABLE 2
CHANGE OF TOTAL NET POSITION

| | Unrestricted | Restricted | Invested in Capital Assets |
|---|-----------------------|----------------------|---------------------------------------|
| Beginning Balance- December 31, 2011 (Restated) | \$ 393,759 | \$ 176,771 | \$ 3,275 |
| Results of Operations | (241,983) | - | - |
| Adjustments: | | | |
| Debt Retirements | (230,055) | - | 230,055 |
| Current year Depreciation Expense (1) | 48,972 | - | (48,972) |
| Disposition of assets | 166,633 | - | (166,633) |
| Capital Expenditure (2) | (43,465) | - | 43,465 |
| Transfer to Restricted Net Position | <u>149,261</u> | <u>(149,261)</u> | <u>-</u> |
| Ending Balance- December 31, 2012 | <u>\$ 243,122</u> | <u>\$ 27,510</u> | <u>\$ 61,190</u> |

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2012
(Unaudited)

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on unrestricted net position.

(2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against results of operations, and therefore must be deducted.

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in unrestricted net position provides a clearer change in financial well-being.

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

TABLE 3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | 2012 | (Restated) 2011 |
|--------------------------------|---------------------|----------------------------|
| <u>Revenues</u> | | |
| Operating Grants | \$ 1,784,290 | \$ 2,032,963 |
| Investment Income | 727 | 2,985 |
| Tenant Revenue | 135,066 | 125,548 |
| Other Revenue | <u>(5,993)</u> | <u>49,594</u> |
| Total Revenues | 1,914,090 | 2,211,090 |
| <u>Expenses</u> | | |
| Administrative | 260,886 | 270,004 |
| Tenant Services | 33,236 | 36,236 |
| Utilities | 256 | 2,011 |
| Maintenance | 43,647 | 95,686 |
| General & Interest Expenses | 56,040 | 61,569 |
| Housing Assistance Payments | 1,713,036 | 1,640,056 |
| Depreciation | <u>48,972</u> | <u>41,997</u> |
| Total Expenses | <u>2,156,073</u> | <u>2,147,559</u> |
| Net Increase (Decrease) | <u>\$ (241,983)</u> | <u>\$ 63,531</u> |

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

The HUD PHA & Operating Grants decreased \$248,673 or 12.24% for 2012 because of decreases to HCV Program & TBA/EA from the City & County programs. Tenant Revenue increased in 2012 by \$9,518 or 7.59%. Other revenue which includes a \$58,198 loss on sale of assets decreased in 2012 by \$55,587 or 112.09%.

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2012
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2012, the Authority had \$843,386 invested in capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$172,140 from the end of last year.

TABLE 4
CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

| | 2012 | (Restated) 2011 |
|----------------------------------|-----------------------|----------------------------|
| Land | \$ 205,375 | \$ 252,535 |
| Buildings | 787,219 | 936,560 |
| Furniture, Equipment & Machinery | 136,150 | 110,935 |
| Leasehold Improvements | 61,326 | 43,076 |
| Accumulated Depreciation | <u>(346,684)</u> | <u>(327,580)</u> |
| Total | <u>\$ 843,386</u> | <u>\$ 1,015,526</u> |

The following reconciliation summarizes the change in capital assets, which is presented in detail on page 19 of the notes.

TABLE 5
CHANGE IN CAPITAL ASSETS

| | |
|---|-------------------|
| Beginning Balance- December 31, 2011 (Restated) | \$ 1,015,526 |
| Additions | 43,465 |
| Disposals | (166,633) |
| Depreciation expense | <u>(48,972)</u> |
| Ending Balance- December 31, 2012 | <u>\$ 843,386</u> |
| Current year additions are summarized as follows: | |
| Building improvements | \$ 18,250 |
| Scanning software | 17,000 |
| Scanners | 7,016 |
| HP LaserJet printer | <u>1,199</u> |
| Total | <u>\$ 43,465</u> |

Debt Outstanding

As of 12/31/12, the Authority had \$782,196 debt (bonds, notes, etc.) outstanding compared to \$1,012,251 last year for a \$230,055 decrease.

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2012
(Unaudited)

TABLE 6
CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING

| | |
|---|--------------------------|
| Beginning Balance- December 31, 2011 (Restated) | \$ 1,012,251 |
| Loan proceeds | - |
| Loan retirements | <u>(230,055)</u> |
| Ending Balance- December 31, 2012 | <u><u>\$ 782,196</u></u> |

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development;
- Local labor supply and demand, which can affect salary and wage rates;
- Local inflationary, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance; and
- Inflationary pressure on utility rates, supplies and other costs.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Edith Stewart; Executive Director for the Fayette Metropolitan Housing Authority, at (740) 335-7525. Specific requests may be submitted to the Authority at 121 E. East Street, Washington Court House, OH 43160.

FAYETTE METROPOLITAN HOUSING AUTHORITY
Statement of Net Position-
Proprietary Fund Type
December 31, 2012

ASSETS

Current assets

| | |
|------------------------|------------|
| Cash and investments | \$ 157,177 |
| Restricted cash | 44,379 |
| Receivable, net | 80,502 |
| Assets held for resale | 42,900 |

Total current assets 324,958

Noncurrent assets

Capital Assets:

| | |
|--------------------------------|------------------|
| Land | 205,375 |
| Buildings and Improvements | 848,545 |
| Equipment | 136,150 |
| Less: accumulated depreciation | <u>(346,684)</u> |

Total capital assets 843,386

TOTAL ASSETS 1,168,344

LIABILITIES

Current Liabilities

| | |
|---------------------------------|---------------|
| Accounts Payable | 4,820 |
| Intergovernmental Payable | 16,854 |
| Tenant security deposits | 2,794 |
| Bonds, notes, and loans payable | <u>45,634</u> |

Total current liabilities 70,102

Noncurrent liabilities

| | |
|---------------------------------|---------------|
| Bonds, notes, and loans payable | 736,562 |
| Noncurrent liabilities- other | <u>14,075</u> |

Total noncurrent liabilities 750,637

Total liabilities 820,739

DEFERRED INFLOWS OF RESOURCES

| | |
|--------------------------------------|---------------|
| Nonexchange transactions- HUD Grants | <u>15,783</u> |
|--------------------------------------|---------------|

NET POSITION

| | |
|---|----------------|
| Invested in capital assets, net of related debt | 61,190 |
| Restricted | 30,304 |
| Unrestricted | <u>240,328</u> |

Total net position \$ 331,822

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position-
Proprietary Fund Type
Year Ended December 31, 2012

| | |
|--|------------------------------|
| OPERATING REVENUE | |
| Tenant revenue | \$ 135,066 |
| Government operating grants | 1,784,290 |
| Other revenue | <u>52,205</u> |
| Total operating revenue | <u>1,971,561</u> |
| OPERATING EXPENSES | |
| Administrative | 260,886 |
| Tenant Services | 33,236 |
| Utilities | 256 |
| Maintenance | 43,647 |
| General | 3,555 |
| Housing assistance payment | 1,713,036 |
| Depreciation | <u>48,972</u> |
| Total operating expenses | <u>2,103,588</u> |
| Operating income (loss) | <u>(132,027)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest and investment income | 727 |
| Interest expense | (52,485) |
| Loss on disposition of property | <u>(58,198)</u> |
| Total nonoperating revenues (expenses) | <u>(109,956)</u> |
| Change in net position | (241,983) |
| Net position, beginning of year (restated) | <u>573,805</u> |
| Net position, end of year | <u><u>\$ 331,822</u></u> |

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows-
Proprietary Fund Type
Year Ended December 31, 2012

| | |
|--|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from operating grants | \$ 1,725,197 |
| Cash received from tenants and other sources | 216,991 |
| Cash payments for housing assistance payments | (1,713,036) |
| Cash payments for administrative and operating expenses | <u>(473,666)</u> |
| Net Cash Used for Operating Activities | <u>(244,514)</u> |
| CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES | |
| Principal payments | (21,937) |
| Acquisition of capital assets | (43,465) |
| Interest expense | (52,485) |
| Cash proceeds from sale of capital assets and assets held for resale | 84,463 |
| Net Cash Used for Capital and Related Financing Activities | <u>(33,424)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest Income | <u>727</u> |
| Net Cash Provided By Investing Activities | <u>727</u> |
| Net Decrease in Cash and Investments | (277,211) |
| Cash and Investments Beginning of Year | <u>478,767</u> |
| Cash and Investments End of Year | <u>\$ 201,556</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Decrease in Net Assets | \$ (241,983) |
| Adjustments to Reconcile Decrease in Net Assets to Net Cash Used for Operating Activities: | |
| Depreciation | 48,972 |
| (Increase)Decrease in accounts receivable- HUD | (33,260) |
| (Increase)Decrease in accounts receivable- other | 3,887 |
| (Increase)Decrease in prepaid expenses | 115 |
| Increase(Decrease) in accounts payable | 4,820 |
| Increase(Decrease) in intergovernmental payable | (29,470) |
| Increase(Decrease) in deferred inflows of resources | 15,783 |
| Increase(Decrease) in noncurrent liabilities- FSS | <u>(13,378)</u> |
| Total Adjustments | <u>(51,503)</u> |
| Net Cash Used for Operating Activities | <u>\$ (244,514)</u> |

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Fayette 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 burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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 over which the Authority is financially accountable.

Measurement Focus and Basis of Accounting

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. 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.

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Enterprise fund reporting focuses on the determination of the changes in net position, 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.

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for as proprietary fund type in a single enterprise fund.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the HUD programs. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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:

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Programs (Continued)

Housing Choice Voucher Program (HCVP)- Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Authority subsidizes the balance.

Section 8 New Construction Program- Provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for very low income families at rents they can afford. Housing assistance payments are used to make up the difference between the approved rent due to the owner for the dwelling unit and the occupant family's required rent due to the owner for the dwelling unit and the occupant family's required contribution towards rent. Assisted families must pay the highest of 30% of their monthly adjusted family income, 10% of gross family income, or the portion of welfare assistance designated for housing toward rent.

Other Business Activities- Represents non-HUD resources and derived from a variety of other activities mainly DD rentals.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash and Investments

Restricted cash and investments represents amounts received for restricted Section 8 HAP monies and family self-sufficiency savings.

Certain assets may be classified as restricted assets on the statement of net position, because their use is restricted by contracts or agreements with outside third parties and lending institutions, or laws and regulations of other governments. It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Accounts Receivables – net

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable receivables was \$27,878 at December 31, 2012.

Due From/To Other Programs

Inter-program receivables and payables as of December 31, 2012 on the Financial Data Schedule have been eliminated on the Statement of Net Position.

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets over the Authority's capitalization threshold of \$500 are recorded at cost and depreciated using the straight-line method over an estimated useful life of the assets. Donated capital assets are recorded at fair market value on the date of receipt. 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. The following are the useful lives used for depreciation purposes:

| | | | |
|----------------------------|------------|------------------------------|---------|
| Buildings- residential | 27.5 years | Furniture | 7 years |
| Buildings- non-residential | 40 years | Equipment- dwelling | 5 years |
| Building improvements | 15 years | Equipment- non-dwelling | 7 years |
| Land improvements | 15 years | Vehicles | 5 years |
| Leasehold improvements | 15 years | Computer software & hardware | 3 years |

Budgetary Accounting

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

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board of Commissioners or through external restrictions imposed by creditors, grantors, or laws, or regulations of other governments.

2. DEPOSITS AND INVESTMENTS

Deposits

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

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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

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 certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

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

For fiscal year-end December 31, 2012, the carrying amount of the Authority's deposits was \$201,556 and its bank balances were \$205,172. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2012, the entire balance was covered by federal depository insurance.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository banks and pledged as a pool of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

3. RESTRICTED CASH

The restricted cash balance of \$44,379 at December 31, 2012 represents the following:

| | |
|--------------------------|-------------------------|
| FSS escrow | \$ 14,075 |
| Excess HAP cash | 27,510 |
| Tenant security deposits | <u>2,794</u> |
| | <u><u>\$ 44,379</u></u> |

4. CONTRACT SERVICES

The Authority contracts with:

- Fayette County to provide financial services for the Authority. The Authority does not have any employees; instead, services are subcontracted from Fayette County.

- Highland Metropolitan Housing Authority to provide management and financial reporting services. Compensation shall be based on the amount allowed by HUD for performing these services.

- Fayette County Board of Developmental Disabilities (DD) to provide a rent subsidy program for persons with developmental disabilities. To provide these services, the authority acquired residential houses on behalf of the DD. The DD will maintain a legal interest in the property acquired with the community assistance funds and will compensate the Authority for housing expenses when vacancies occur in the properties.

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

5. CAPITAL ASSETS

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

| | Balance 12/31/11* | Additions | Deletions | Balance 12/31/12 |
|--|----------------------|-------------------|---------------------|---------------------|
| <u>Capital Assets Not Being Depreciated</u> | | | | |
| Land | \$ 252,535 | \$ - | \$ (47,160) | \$ 205,375 |
| <u>Capital Assets Being Depreciated</u> | | | | |
| Buildings | 936,560 | - | (149,341) | 787,219 |
| Furniture, Machinery, and Equipment- Dwelling | 22,376 | - | - | 22,376 |
| Furniture, Machinery, and Equipment- Administrative | 88,559 | 25,215 | - | 113,774 |
| Leasehold Improvements | <u>43,076</u> | <u>18,250</u> | - | <u>61,326</u> |
| Subtotal Capital Assets Being Depreciated | 1,090,571 | 43,465 | (149,341) | 984,695 |
| <u>Accumulated Depreciation</u> | | | | |
| Buildings | (237,595) | (31,974) | 29,868 | (239,701) |
| Furniture, Machinery, and Equipment- Dwelling | (15,284) | (3,197) | - | (18,481) |
| Furniture, Machinery, and Equipment- Administrative | (68,957) | (9,825) | - | (78,782) |
| Leasehold Improvements | <u>(5,744)</u> | <u>(3,976)</u> | - | <u>(9,720)</u> |
| Total Accumulated Depreciation | <u>(327,580)</u> | <u>(48,972)</u> | <u>29,868</u> | <u>(346,684)</u> |
| Capital Assets Being Depreciated, net | <u>762,991</u> | <u>(5,507)</u> | <u>(119,473)</u> | <u>638,011</u> |
| Total Capital Assets, net | <u>\$ 1,015,526</u> | <u>\$ (5,507)</u> | <u>\$ (166,633)</u> | <u>\$ 843,386</u> |

* Restated

6. ECONOMIC DEPENDENCY

The Authority is economically dependent on receiving operating subsidies from the U.S. Department of Housing and Urban Development (HUD).

7. 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 maintains comprehensive insurance coverage with private carriers for real property and building contents. There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

8. LONG-TERM DEBT

The Authority has an obligation with the Ohio Department of Developmental Disabilities for which the Authority received a grant with the condition that the grant funds are used to acquire several properties. The properties are then to be rented to DODD clients for the next 15 years. As long as the Authority complies with this restriction, the grant funds are forgiven for each year that has expired. As of December 31, 2012, the Authority's long-term debt is as follows:

| | Bank Loan | DODD | Total |
|---|-------------------|-------------------|-------------------|
| Mortgage for 1120 S. Fayette St has been paid in full. The authority is still within the 15 year restricted timeframe of the DODD grant funds. | \$ - | \$ 16,222 | \$ 16,222 |
| Mortgage payable for property at 842 Lincoln St. in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.50% at 20 years due on 5/8/29. Payments of principal and interest of \$6,772 are due monthly. | 68,321 | 2,917 | 71,238 |
| Mortgage payable for property at 364 Carolyn St. in Washington Court House, Ohio. The current structure of this loan is set for a fixed rate of 7.00% at 30 years due on 9/11/31. Payments of principal and interest of \$5,852 are due monthly. | 60,988 | 6,373 | 67,361 |
| Mortgage payable for property at 834 Lincoln St. in Washington Court House, Ohio. The current structure of this loan is set for a fixed rate of 7.00% at 30 years due on 9/11/31. Payments of principal and interest of \$5,852 are due monthly. | 60,988 | 6,844 | 67,833 |
| Mortgage payable for property at 1103 Golfview St. in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.5% at 20 years due on 5/8/29. Payments of principal and interest of \$7,862 are due monthly. | 79,326 | 12,133 | 91,459 |
| Mortgage payable for property at 594 Leslie Trace in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.5% at 20 years due on 5/8/29. Payments of principal and interest of \$7,291 are due monthly. | 73,567 | 10,763 | 84,329 |
| Mortgage payable for property at 1029 Fayette in Washington Court House, Ohio. The current structure of this loan is set for 6.5% at 20 years due on 5/8/29. Payments of principal and interest of \$7,706 are due monthly. | 77,750 | 4,861 | 82,611 |
| Mortgage payable for property at 388 Leslie Trace in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.5% at 20 years due on 5/8/29. Payments of principal and interest of \$4,685 are due monthly. | 47,271 | 33,333 | 80,603 |
| Mortgage payable for property at 1412 Lindberg in Washington Court House, Ohio. The current structure of this loan is set for 5.5% interest rate for 25 years due on 3/28/33. Payments of principal and interest of \$3,316 are due monthly. | 40,500 | 54,501 | 95,000 |
| Mortgage payable for property at 1254 Dayton in Washington Court House, Ohio. The current structure of this loan is set for 6.5% interest rate for 20 years due on 7/8/30. Payments of principal and interest of \$8,804 are due monthly. | <u>92,206</u> | <u>33,333</u> | <u>125,539</u> |
| Total Outstanding Debt | \$ 600,916 | \$ 181,280 | \$ 782,196 |
| Less: Current Portion | <u>(19,751)</u> | <u>(25,883)</u> | <u>(45,634)</u> |
| Total Long-Term Debt | <u>\$ 581,165</u> | <u>\$ 155,397</u> | <u>\$ 736,562</u> |

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

8. LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in long-term debt for the year ended December 31, 2012:

| Description | Balance 12/31/11* | Issued | Sale of Property | Principal Retirement | Balance 12/31/2012 | Current Portion |
|----------------------------|----------------------|-------------|---------------------|-------------------------|-----------------------|--------------------|
| Loan Payable - Bank | \$ 805,477 | \$ - | \$ (182,624) | \$ (21,937) | \$ 600,916 | \$ 19,751 |
| DODD Grant Funds Unexpired | 207,113 | - | - | (25,883) | 181,230 | 25,883 |
| TOTAL | \$1,012,590 | \$ - | \$ (182,624) | \$ (47,820) | \$ 782,146 | \$ 45,634 |
| * Restated | | | | | | |

Maturities for the debt over the next five years is as follows:

| | Mortgage | DODD | Total |
|--------------|-------------------|-------------------|-------------------|
| 2013 | \$ 19,751 | \$ 25,883 | \$ 45,634 |
| 2014 | 21,079 | 25,833 | 46,912 |
| 2015 | 22,497 | 25,611 | 48,108 |
| 2016 | 24,011 | 21,965 | 45,976 |
| 2017 | 25,627 | 17,759 | 43,386 |
| Thereafter | 487,951 | 64,179 | 552,130 |
| Total | \$ 600,916 | \$ 181,230 | \$ 782,146 |

9. CONTINGENCIES

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

10. PRIOR PERIOD RESTATEMENT

The Authority had to restate the beginning net position as follows:

| | |
|---|-------------------|
| Net position, December 31, 2011 | \$ 680,599 |
| The obligation to the DODD was not recorded in the general ledger for several properties. | (159,888) |
| Land was not segregated from the cost of several properties. Accumulated depreciation was overstated. | <u>53,094</u> |
| Restated net position, January 1, 2012 | <u>\$ 573,805</u> |

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

11. 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 nongovernmental 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.

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.

Fayette Metropolitan Housing Authority (OH056)

FDS Schedule Submitted to REAC

Proprietary Fund Type- Enterprise Fund

December 31, 2012

| | 14.871 Housing Choice Vouchers | 14.182 N/C S/R Section 8 Programs | 14.181 Supportive Housing for Persons with Disabilities | 14.238 Shelter Plus Care | 14.256 Neighborhood Stabilization Program (Recovery Act Funded) | 14.239 HOME Investment Partnerships Program | 1 Business Activities | ELIM | Total |
|--|-----------------------------------|--------------------------------------|--|-----------------------------|---|--|--------------------------|-----------|-------------|
| 111 Cash - Unrestricted | \$103,813 | | \$23,288 | \$10,694 | | \$12,444 | \$6,938 | | \$157,177 |
| 113 Cash - Other Restricted | \$41,585 | | | | | | | | \$41,585 |
| 114 Cash - Tenant Security Deposits | | | | | | | \$2,794 | | \$2,794 |
| 100 Total Cash | \$145,398 | \$0 | \$23,288 | \$10,694 | \$0 | \$12,444 | \$9,732 | \$0 | \$201,556 |
| 122 Accounts Receivable - HUD Other Projects | | \$69,109 | | | | | | | \$69,109 |
| 125 Accounts Receivable - Miscellaneous | \$7,717 | | | | | | \$3,676 | | \$11,393 |
| 128 Fraud Recovery | \$27,878 | | | | | | | | \$27,878 |
| 128.1 Allowance for Doubtful Accounts - Fraud | -\$27,878 | | | | | | | | -\$27,878 |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$7,717 | \$69,109 | \$0 | \$0 | \$0 | \$0 | \$3,676 | \$0 | \$80,502 |
| 144 Inter Program Due From | \$95,611 | | | | | | | -\$95,611 | \$0 |
| 145 Assets Held for Sale | | | | | \$42,900 | | | | \$42,900 |
| 150 Total Current Assets | \$248,726 | \$69,109 | \$23,288 | \$10,694 | \$42,900 | \$12,444 | \$13,408 | -\$95,611 | \$324,958 |
| 161 Land | | | | | | | \$205,375 | | \$205,375 |
| 162 Buildings | | | | | | | \$784,569 | | \$784,569 |
| 163 Furniture, Equipment & Machinery - Dwellings | | | | | | | \$22,376 | | \$22,376 |
| 164 Furniture, Equipment & Machinery - Administration | \$96,797 | | | | | | \$16,977 | | \$113,774 |
| 165 Leasehold Improvements | | | | | | | \$63,976 | | \$63,976 |
| 166 Accumulated Depreciation | -\$63,718 | | | | \$0 | | -\$282,966 | | -\$346,684 |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$33,079 | \$0 | \$0 | \$0 | \$0 | \$0 | \$810,307 | \$0 | \$843,386 |
| 180 Total Non-Current Assets | \$33,079 | \$0 | \$0 | \$0 | \$0 | \$0 | \$810,307 | \$0 | \$843,386 |
| 190 Total Assets | \$281,805 | \$69,109 | \$23,288 | \$10,694 | \$42,900 | \$12,444 | \$823,715 | -\$95,611 | \$1,168,344 |

| | | | | | | | | | | |
|-------|---|-----------|----------|----------|----------|----------|-----------|-----------|-----------|-------------|
| 312 | Accounts Payable <= 90 Days | \$4,820 | | | | | | | \$4,820 | |
| 331 | Accounts Payable - HUD PHA Programs | | \$5,602 | \$11,252 | | | | | \$16,854 | |
| 341 | Tenant Security Deposits | | | | | | \$2,794 | | \$2,794 | |
| 342 | Deferred Revenues | \$5,089 | | | \$10,694 | | | | \$15,783 | |
| 343 | Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds | | | | | | \$45,634 | | \$45,634 | |
| 347 | Inter Program - Due To | | \$32,367 | | | | \$63,244 | -\$95,611 | \$0 | |
| 310 | Total Current Liabilities | \$9,909 | \$37,969 | \$11,252 | \$10,694 | \$0 | \$0 | \$111,672 | -\$95,611 | \$85,885 |
| 351 | Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | | | | | | \$736,562 | | \$736,562 | |
| 353 | Non-current Liabilities - Other | \$14,075 | | | | | | | \$14,075 | |
| 350 | Total Non-Current Liabilities | \$14,075 | \$0 | \$0 | \$0 | \$0 | \$0 | \$736,562 | \$0 | \$750,637 |
| 300 | Total Liabilities | \$23,984 | \$37,969 | \$11,252 | \$10,694 | \$0 | \$0 | \$848,234 | -\$95,611 | \$836,522 |
| 508.1 | Invested In Capital Assets, Net of Related Debt | \$33,079 | | | | | \$28,111 | | \$61,190 | |
| 511.1 | Restricted Net Assets | \$27,510 | | | | | \$2,794 | | \$30,304 | |
| 512.1 | Unrestricted Net Assets | \$197,232 | \$31,140 | \$12,036 | \$0 | \$42,900 | \$12,444 | -\$55,424 | \$240,328 | |
| 513 | Total Equity/Net Assets | \$257,821 | \$31,140 | \$12,036 | \$0 | \$42,900 | \$12,444 | -\$24,519 | \$0 | \$331,822 |
| 600 | Total Liabilities and Equity/Net Assets | \$281,805 | \$69,109 | \$23,288 | \$10,694 | \$42,900 | \$12,444 | \$823,715 | -\$95,611 | \$1,168,344 |

Fayette Metropolitan Housing Authority (OH056)
FDS Schedule Submitted to REAC
Proprietary Fund Type- Enterprise Fund

December 31, 2012

| | 14.871 Housing Choice Vouchers | 14.182 N/C S/R Section 8 Programs | 14.181 Supportive Housing for Persons with Disabilities | 14.238 Shelter Plus Care | 14.256 Neighborhood Stabilization Program (Recovery Act Funded) | 14.239 HOME Investment Partnerships Program | 1 Business Activities | ELIM | Total |
|---|-----------------------------------|--------------------------------------|--|-----------------------------|---|--|--------------------------|------|-------------|
| 70300 Net Tenant Rental Revenue | | | | | | | \$135,066 | | \$135,066 |
| 70500 Total Tenant Revenue | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$135,066 | | \$135,066 |
| 70600 HUD PHA Operating Grants | \$1,301,512 | \$64,382 | \$302,468 | \$70,095 | | \$20,000 | | | \$1,758,457 |
| 70800 Other Government Grants | | | | | | | \$25,833 | | \$25,833 |
| 71100 Investment Income - Unrestricted | \$444 | | \$38 | | | \$12 | \$10 | | \$504 |
| 71400 Fraud Recovery | \$1,723 | | | | | | | | \$1,723 |
| 71500 Other Revenue | \$50,482 | | | | | | | | \$50,482 |
| 71600 Gain or Loss on Sale of Capital Assets | | | | | | | \$15,992 | | -\$58,198 |
| 72000 Investment Income - Restricted | \$192 | | \$31 | | | | | | \$223 |
| 70000 Total Revenue | \$1,354,353 | \$64,382 | \$302,537 | \$70,095 | -\$74,190 | \$20,012 | \$176,901 | | \$1,914,090 |
| 91200 Auditing Fees | \$4,057 | \$261 | \$1,162 | \$176 | | | | | \$5,656 |
| 91300 Management Fee | \$134,665 | \$6,538 | \$27,017 | \$3,372 | | | \$3,082 | | \$174,674 |
| 91310 Book-keeping Fee | \$3,210 | \$244 | \$1,006 | \$144 | | | \$2,306 | | \$6,910 |
| 91600 Office Expenses | \$29,838 | \$2,264 | \$9,354 | \$1,335 | | | \$145 | | \$42,936 |
| 91800 Travel | \$1,891 | \$143 | \$593 | \$85 | | | | | \$2,712 |
| 91900 Other | \$10,773 | \$1,481 | \$6,120 | \$874 | | | | | \$19,248 |
| 91000 Total Operating - Administrative | \$184,434 | \$10,931 | \$45,252 | \$5,986 | \$0 | \$0 | \$5,533 | | \$252,136 |
| 92400 Tenant Services - Other | \$33,236 | | | | | | | | \$33,236 |
| 92500 Total Tenant Services | \$33,236 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | | \$33,236 |
| 93800 Other Utilities Expense | | | | | | | \$256 | | \$256 |
| 93000 Total Utilities | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$256 | | \$256 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$8,315 | \$593 | \$2,452 | \$349 | | | \$40,688 | | \$52,397 |
| 94000 Total Maintenance | \$8,315 | \$593 | \$2,452 | \$349 | \$0 | \$0 | \$40,688 | | \$52,397 |
| 96110 Property Insurance | | | | | | | \$1,213 | | \$1,213 |
| 96120 Liability Insurance | \$1,113 | \$85 | \$349 | \$50 | | | | | \$1,597 |
| 96100 Total insurance Premiums | \$1,113 | \$85 | \$349 | \$50 | \$0 | \$0 | \$1,213 | | \$2,810 |
| 96200 Other General Expenses | | | | | | | \$745 | | \$745 |
| 96000 Total Other General Expenses | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$745 | | \$745 |

| | | | | | | | | | |
|---|-------------|----------|-----------|----------|-----------|-----------|------------|--|-------------|
| 96720 Interest on Notes Payable (Short and Long Term) | | | | | | | \$52,485 | | \$52,485 |
| 96700 Total Interest Expense and Amortization Cost | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$52,485 | | \$52,485 |
| 96900 Total Operating Expenses | \$227,098 | \$11,609 | \$48,053 | \$6,385 | \$0 | \$0 | \$100,920 | | \$394,065 |
| 97000 Excess of Operating Revenue over Operating Expenses | \$1,127,255 | \$52,773 | \$254,484 | \$63,710 | -\$74,190 | \$20,012 | \$75,981 | | \$1,520,025 |
| 97300 Housing Assistance Payments | \$1,305,211 | \$53,150 | \$256,108 | \$63,465 | | \$35,102 | | | \$1,713,036 |
| 97400 Depreciation Expense | \$8,075 | \$416 | \$1,718 | \$245 | | | \$38,518 | | \$48,972 |
| 90000 Total Expenses | \$1,540,384 | \$65,175 | \$305,879 | \$70,095 | \$0 | \$35,102 | \$139,438 | | \$2,156,073 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | -\$186,031 | -\$793 | -\$3,342 | \$0 | -\$74,190 | -\$15,090 | \$37,463 | | -\$241,983 |
| 11030 Beginning Equity | \$443,852 | \$31,933 | \$15,378 | \$0 | \$117,090 | \$27,534 | \$44,812 | | \$680,599 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | | | | | | | -\$106,794 | | -\$106,794 |
| 11170 Administrative Fee Equity | \$230,311 | | | | | | | | \$230,311 |
| 11180 Housing Assistance Payments Equity | \$27,510 | | | | | | | | \$27,510 |
| 11190 Unit Months Available | 3564 | 204 | 900 | 126 | 0 | | | | 4794 |
| 11210 Number of Unit Months Leased | 3395 | 203 | 841 | 126 | 0 | | | | 4565 |

**FAYETTE 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>U.S. Department of Housing and Urban Development</u> | | |
| <i>Direct Programs:</i> | | |
| Supportive Housing for Persons with Disabilities | 14.181 | \$ 302,468 |
| Section 8 New Construction and Substantial Rehabilitation | 14.182 | 64,382 |
| Shelter Plus Care | 14.238 | 70,095 |
| Section 8 Housing Choice Vouchers | 14.871 | <u>1,301,512</u> |
| Total Direct Awards | | <u>1,738,457</u> |
| <i>Pass through the Fayette County Commissioners:</i> | | |
| HOME Investment Partnership Program | 14.239 | <u>35,102</u> |
| Total Pass through Programs | | <u>35,102</u> |
| Total U.S. Department of Housing and Urban Development | | <u>1,773,559</u> |
| Total Federal Expenditures | | <u>\$ 1,773,559</u> |

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Whited Seigneur Sams & Rahe, LLP

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INDEPENDENT AUDITOR'S 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*

September 20, 2013

Members of the Board of Directors
Fayette Metropolitan Housing Authority

We have audited 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, the financial statements of the business-type activities, of Fayette Metropolitan Housing Authority, Fayette County, Ohio, (the Authority) as of and for the year ended December 31, 2012, which comprise the statement of net position as of December 31, 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2013, wherein we noted the Authority has adopted Governmental Accounting Standards Board Statements 60, 63, and 65.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority'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 opinion 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2012-001 to be a material weakness.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 entity's internal control or on compliance. This report is an integral part of an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe, LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

September 20, 2013

Members of the Board of Directors
Fayette Metropolitan Housing Authority

Report on Compliance for Each Major Federal Program

We have audited Fayette Metropolitan Housing Authority's (the Authority) 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 each of the Authority's major federal programs for the year ended December 31, 2012. The Authority's major federal programs are 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs 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 each major program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Authority 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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 do 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 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



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

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any other significant control deficiencies reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other significant control deficiencies reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under section .510? | No |
| (d)(1)(vii) | Major Programs (list): | CFDA #14.871 Section 8 Housing Choice Vouchers CFDA #14.181 Supportive Housing for Persons with Disabilities |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | \$300,000 |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

Finding 2012-001- Material Weakness- Internal Controls over Financial Reporting

Statement of Condition/Criteria

Financial reporting is essential to ensure that the information provided to the reader of the financial statements is complete and accurate. During our audit, we identified the following misstatements in the financial statements:

- The beginning balance of debt was understated by \$159,888. The Authority received in prior years grant funds from the Ohio Department of Developmental Disabilities to purchase rental properties. The grants are forgiven over a 15 year period given that the Authority leases the properties to developmentally disabled individuals. The unforgiven balance of several properties was not included in the general ledger at December 31, 2011.

**FAYETTE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
OMB CIRCULAR A-133 SECTION .505
DECEMBER 31, 2012**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

Finding 2012-001- Material Weakness- Internal Controls over Financial Reporting (Continued)

- The capitalized cost of nine properties was not allocated between land (non-depreciable) and building (depreciable). The entire cost was being depreciated. This caused the balance of accumulated depreciation at December 31, 2011 to be overstated by \$80,838.

Cause/Effect

Management is not adequately reviewing subsidiary worksheets for capital assets and long-term debt for completeness, accuracy, or proper classification.

Recommendation

We recommend that the Authority implement controls and procedures related to financial reporting that will enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Auditee's Response: The Authority has agreed with and posted the audit adjustments to the general ledger. Any future debt acquired will be posted in its entirety to the general ledger. Any future purchases of real property will be appropriately separated between building and land.

3. FINDING AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

FAYETTE METROPOLITAN HOUSING AUTHORITY

FAYETTE 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
DECEMBER 24, 2013**