

**JEFFERSON METROPOLITAN
HOUSING AUTHORITY**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

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



Dave Yost • Auditor of State

Board of Directors
Jefferson Metropolitan Housing Authority
815 N. 6th 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, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jefferson Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 6, 2016

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JEFFERSON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

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

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of
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 business-type activities of the Jefferson Metropolitan Housing Authority, Ohio, (Housing Authority) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Housing 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 Housing 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 Housing 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 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 Jefferson Metropolitan Housing Authority, Ohio, as of December 31, 2015, 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.

Emphasis of Matter

As described in Note 2 to the basic financial statements, the Housing Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and restated its net position at December 31, 2014 for business-type activities. 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 and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, 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 opinions on the financial statements that collectively comprise the Jefferson Metropolitan Housing Authority, Ohio's basic financial statements. The Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016, 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.
Certified Public Accountants

September 27, 2016

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

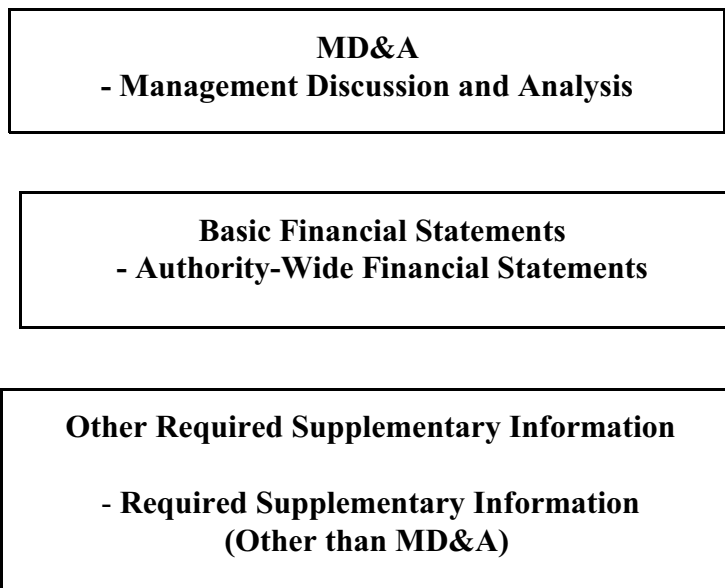
The Jefferson Metropolitan Housing Authority (“the Authority”) management’s discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority’s financial activities, (c) identify changes in the Authority’s financial position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

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current 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 \$2,090,436 (11 percent) due to results from operations and the prior period adjustment due to GASB 68. Net position was \$18,364,341 (before GASB 68 adjustments) at December 31, 2014 and \$16,273,905 at December 31, 2015.
- Revenues of the Authority increased by \$966 in 2015. Revenues were \$9,228,073 in 2014 and \$9,229,039 in 2015.
- Total expenses of the Authority increased by \$85,015 in 2015. Total expenses were \$9,925,670 in 2014 and \$10,010,685 in 2015.

The following graphic outlines the format of this report:



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

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Authority-Wide Financial Statements

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

These statements include a *Statement of Net Position*, which is similar to a Balance Sheet. The Statements of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal “Net Position”, formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as “Current” (convertible into cash within one year), and “Non-current”.

The focus of the Statement of Net Position (the “*Unrestricted Net Position*”) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted Net Position: Consists of Net Position that does not meet the definition of “Net Investment in Capital Assets, or “Restricted Net Position”. This account resembles the old operating reserves account.

The Authority-wide financial statements also include a *Statement of Revenues, Expenses and Changes in Fund Net Position* (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as Capital Grant revenue, investment income and interest expense.

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

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

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Fund Financial Statements

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

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.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

New GASB 68 Reporting

During 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statements will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments. State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also has the effect of restating net position at December 31, 2014, from \$18,364,341 to \$17,055,551.

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

	2015	2014 Restated
Current and Other Assets	\$ 4,137,736	\$ 4,941,817
Non-current Assets	19,732,725	20,296,274
Deferred Outflows of Resources	289,449	223,030
Total Assets and Deferred Outflow of Resources	<u>\$24,159,910</u>	<u>\$25,461,121</u>
Current Liabilities	\$ 1,055,762	\$ 1,288,810
Non-Current Liabilities	6,802,710	7,116,760
Total Liabilities	<u>7,858,472</u>	<u>8,405,570</u>
Deferred Inflows of Resources	<u>27,533</u>	<u>0</u>
Net Investment in Capital Assets	14,314,835	14,818,805
Restricted	295,777	257,885
Unrestricted	1,663,293	1,978,861
Total Net Position	<u>16,273,905</u>	<u>17,055,551</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$24,159,910</u>	<u>\$25,461,121</u>

For more detail information, see Statement of Net Position presented on page 13.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Major Factors Affecting the Statement of Net Position

During 2015 current assets decreased by \$804,081 primarily due to a reduction in restricted cash. Current liabilities decreased by \$233,048. During 2015 Investment in Capital Assets decreased by \$503,970 primarily due to depreciation.

Long Term Liabilities after restatement of the 2014 balances for the prior period adjustment decreased by \$314,050. This is due to retirement of debt for the year.

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

Table 2 - Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>2015</u>	<u>2014</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 1,107,541	\$ 1,031,678
Operating Subsidies	7,575,057	7,035,318
Capital Grants	450,447	1,126,184
Investment Income	1,176	2,046
Other Revenues	94,818	32,847
Total Revenues	<u>9,229,039</u>	<u>9,228,073</u>
<u>Expenses</u>		
Administrative	1,575,260	1,853,643
Tenant Services	49,931	687
Utilities	1,089,426	1,188,462
Maintenance	1,725,307	1,879,455
Protective Services	552,145	447,424
General, Insurance and Interest Expenses	499,263	666,701
Housing Assistance Payments	3,117,644	2,756,433
Depreciation	1,344,486	1,144,045
(Gain)/Loss on Disposal of Assets	57,223	(11,180)
Total Expenses	<u>10,010,685</u>	<u>9,925,670</u>
Net Increases (Decreases)	<u>\$ (781,646)</u>	<u>\$ (697,597)</u>

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

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

Total revenues increased by \$966 (.01 percent) in 2015.

Total expenses increased in 2015 \$85,015 (1 percent), due to increases in HAP payments made by the Authority and an increase depreciation expense.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

The following table shows the change in net position of the Authority for the fiscal year ended December 31, 2015:

Table 3 - Net Position (Equity)

	<u>Unrestricted Net Position</u>	<u>Restricted Net Position</u>	<u>Investment in Capital Assets</u>
Beginning Balance - December 31, 2014, Restated	\$ 1,978,861	\$ 257,885	\$14,818,805
Results of Operation	(819,538)	37,892	0
Adjustments:			
Current Year Depreciation Expense	1,344,486	0	(1,344,486)
Capital Expenditure	(838,160)	0	838,160
Disposal of Assets	57,223	0	(57,223)
Change in Cash Restricted for Modernization	254,523	0	(254,523)
Retirement of Debt	<u>(314,102)</u>	<u>0</u>	<u>314,102</u>
Ending Balance - December 31, 2015	<u>\$ 1,663,293</u>	<u>\$ 295,777</u>	<u>\$14,314,835</u>

Capital Assets

As of year end, the Authority had \$19,732,725 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$563,549 or 2.8 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)**

	<u>2015</u>	<u>2014</u>
Land and Land Rights	\$2,697,982	\$2,697,982
Buildings	44,471,988	37,658,851
Dwelling Equipment	1,065,903	967,546
Administration Equipment	975,900	959,822
Construction in Progress	458,138	6,727,281
Accumulated Depreciation	<u>(29,937,186)</u>	<u>(28,715,208)</u>
Total Capital Assets, Net	<u>\$19,732,725</u>	<u>\$20,296,274</u>

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

The following reconciliation summarizes the change in Capital Assets.

Table 5 - Capital Assets at Year-End

Beginning Balance - December 31, 2014	\$20,296,274
Current Year Additions	838,160
Current Year Disposal, Net	(57,223)
Current Year Depreciation Expense	<u>(1,344,486)</u>
Ending Balance - December 31, 2015	<u>\$19,732,725</u>

Current Year Additions represented various capital improvements such as: EPC Investments, office building, door replacements, carpeting, kitchen and bathroom renovations.

Debt Outstanding

As of year-end, the Authority had debt of \$5,417,890 for the Energy Performance Contract. This is a decrease of \$314,102 from prior year.

Table 6 - Condensed Statement of Changes in Debt Outstanding

Beginning Balance - December 31, 2014	\$ 5,731,992
Current Year Debt Retired	<u>(314,102)</u>
Ending Balance - December 31, 2015	<u>\$ 5,417,890</u>

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.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Recommended

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

Financial Contact

Questions concerning this report or requests for additional information should be directed to Debra Bailey, Interim Executive Director of Jefferson Metropolitan Housing Authority, at (740) 282-0994.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 2,928,785
Restricted Cash and Cash Equivalents	495,487
Receivables, Net	229,484
Inventories, Net	67,300
Prepaid Expenses and Other Assets	416,680
Total Current Assets	<u>4,137,736</u>

Noncurrent Assets

Non-depreciable Capital Assets	3,156,120
Depreciable Capital Assets, Net	16,576,605
Total Noncurrent Assets	<u>19,732,725</u>

Deferred Outflow of Resources	<u>289,449</u>
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TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 24,159,910</u></u>
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LIABILITIES

Current Liabilities

Accounts Payable	\$ 293,318
Accrued Compensated Absences - Current	117,746
Accrued Liabilities	67,598
Tenant Security Deposits	147,266
Notes Payable - Current	337,074
Accrued Interest Payable	88,955
Other Current Liabilities	3,805
Total Current Liabilities	<u>1,055,762</u>

Noncurrent Liabilities

Accrued Compensated Absences - Non-Current	102,232
Notes Payable - Net of Current Portion	5,080,816
Accrued Pension	1,567,218
Other Noncurrent Liabilities	52,444

Total Noncurrent Liabilities	<u>6,802,710</u>
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TOTAL LIABILITIES	<u>7,858,472</u>
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Deferred Inflow of Resources	<u>27,533</u>
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NET POSITION

Net Investment in Capital Assets	14,314,835
Restricted Net Position	295,777
Unrestricted	1,663,293
Total Net Position	<u>16,273,905</u>

TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	<u><u>\$ 24,159,910</u></u>
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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, 2015

<u>Operating Revenues</u>	
Government Grants	\$ 7,575,057
Tenant Revenue	1,107,541
Other Revenue	<u>94,818</u>
Total Operating Revenues	<u>8,777,416</u>
<u>Operating Expenses</u>	
Administrative	1,575,260
Tenant Services	49,931
Utilities	1,089,426
Maintenance	1,725,307
Protection Services	552,145
General and Insurance	353,841
Housing Assistance Payment	<u>3,117,644</u>
Total Operating Expenses Before Depreciation	<u>8,463,554</u>
Income (Loss) Before Depreciation	313,862
Depreciation	<u>1,344,486</u>
Operating Income (Loss)	<u>(1,030,624)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	1,176
Interest Expense	(145,422)
Loss on Disposition of Capital Assets	<u>(57,223)</u>
Total Non-Operating Revenues (Expenses)	<u>(201,469)</u>
Income (Loss) Before Capital Grants	(1,232,093)
Capital Grants	<u>450,447</u>
Change in Net Position	<u>(781,646)</u>
Restated Total Net Position, Beginning of Year	<u>17,055,551</u>
Net Position, End of Year	<u>\$ 16,273,905</u>

See accompanying notes to the basic financial statements.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Cash Flows from Operating Activities</u>	
Operating Grants Received	\$ 7,514,701
Total Revenue Received	1,081,446
Other Revenue Received	80,555
General and Administrative Expenses Paid	(5,876,908)
Housing Assistance Payments	(3,117,644)
Net Cash Provided (Used) by Operating Activities	<u>(317,850)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital Grant Funds Received	450,447
Capital Assets Purchased	(838,160)
Debt Principal Payments	(314,102)
Interest Payments	(150,079)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(851,894)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Income	<u>1,176</u>
Net Cash Provided (Used) by Investing Activities	<u>1,176</u>
Net Increase (Decrease) in Cash	(1,168,568)
Cash and Cash Equivalents, Beginning of Year	<u>4,592,840</u>
Cash and Cash Equivalents, Ending of Year	<u>\$ 3,424,272</u>
<u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>	
Net Operating (Loss)	\$ (1,030,624)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	1,344,486
(Increase) Decrease in:	
Accounts Receivable	(81,093)
Prepaid Assets	(238,009)
Inventory	(45,385)
Deferred Outflows	(66,419)
Increase (Decrease) in:	
Accounts Payable	73,912
Accrued Liabilities	(205,794)
Tenants' Security Deposits	8,019
Net Pension Liability	35,398
Accrued Compensated Absences	14,519
Deferred Inflows	27,533
Accrued Interest Payable	(5,157)
Other Current Liabilities	(161,403)
Non-Current Liabilities - Other	12,167
Net Cash Provided by Operating Activities	<u>\$ (317,850)</u>

See accompanying notes to the basic financial statements.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 61, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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 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.

Fund Accounting

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

Fund Accounting (Continued)

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

Proprietary Fund Types

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

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

Description of Programs

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

A. **Public Housing Program**

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

B. **Capital Fund Program**

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

C. **Housing Choice Voucher Program**

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

Description of Programs (Continued)

D. **New Construction**

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

E. **Section 8 Moderate Rehabilitation Program**

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

F. **Business Activity**

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

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2015 totaled \$1,176.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$2,000 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives:

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

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

Operating Revenues and Expenses

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

Capital Contributions

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

Cash and Cash Equivalents

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

Compensated Absences

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

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

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

Net Position

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

Budgetary Accounting

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

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflows of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 6.

In addition to liabilities, the statement of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the government-wide statement of net position for pension. The deferred inflows of resources related to pension are explained in Note 6.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect of net position as reported December 31, 2014:

Net Position - December 31, 2014	\$18,364,341
Adjustments:	
Net Pension Liability	(1,531,820)
Deferred Outflows	223,030
Restated Net Position - December 31, 2014	<u>\$17,055,551</u>

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

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

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

- C. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)

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

At fiscal year end December 31, 2015, the carrying amount of the Authority's deposits totaled \$3,419,745 (including \$100 petty cash) and its bank balance was \$3,825,745. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2015, \$3,075,745 was exposed to custodial risk as discussed below, while \$750,000 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. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

Investments

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

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

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Investment (Continued)

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

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

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

The carrying amount of the Authority's investments was \$4,527 at December 31, 2015 with the same corresponding bank balance. The investments are held in money markets.

<u>Description</u>	<u>Total Fair Value/ Carrying Value</u>	<u>Credit Quality Rating</u>
Money Market Funds	\$ 4,527	Aa3*

* Rating offered by Moody's

A reconciliation of cash and investments as shown on the Statement of Net Position at December 31, 2015 to the deposits and investments included in this note is as follows:

Cash and Cash Equivalents	\$ 2,928,785
Restricted Cash and Cash Equivalents	<u>495,487</u>
Total	<u>\$ 3,424,272</u>
Carrying Amount of Deposits	\$ 3,419,745
Carrying Amount of Investments	<u>4,527</u>
Total	<u>\$ 3,424,272</u>

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 4: RESTRICTED CASH

The restricted cash balance as of December 31, 2015 of \$495,487 represents cash on hand for the following:

- FSS Escrow Funds Held for Tenants	\$ 52,444
- Housing Assistance Funds on Hand	39,716
- Tenant Security Deposits	147,266
- Cash on Hand from Sale of PH	251,534
- Unspent Debt Proceeds for Capital Purchases (EPC)	4,527
Total Restricted Cash	<u>\$ 495,487</u>

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

NOTE 5: CAPITAL ASSETS

A summary of capital assets at December 31, 2015 by class is as follows:

	Balance 01/01/2015	Adjustments	Additions	Deletions	Balance 12/31/2015
<u>Capital Assets Not Being Depreciated</u>					
Land	\$ 2,697,982	\$ 0	\$ 0	\$ 0	\$ 2,697,982
Construction in Progress	<u>6,727,281</u>	<u>(6,719,590)</u>	<u>450,447</u>	<u>0</u>	<u>458,138</u>
Total Capital Assets Not Being Depreciated	<u>9,425,263</u>	<u>(6,719,590)</u>	<u>450,447</u>	<u>0</u>	<u>3,156,120</u>
<u>Capital Assets Being Depreciated</u>					
Buildings and Improvements	37,658,851	6,719,590	251,838	(158,292)	44,471,988
Furniture, Machinery and Equipment					
- Dwelling	967,546	0	119,797	(21,440)	1,065,903
- Administration	<u>959,822</u>	<u>0</u>	<u>16,078</u>	<u>0</u>	<u>975,900</u>
Subtotal Capital Assets Being Depreciated	<u>39,586,219</u>	<u>6,719,590</u>	<u>387,713</u>	<u>(179,732)</u>	<u>46,513,791</u>
<u>Accumulated Depreciation</u>					
Buildings & Improvements	(27,139,590)	0	(1,230,931)	103,293	(28,267,228)
Furniture, Machinery and Equipment					
- Dwelling	(749,908)	0	(72,745)	19,215	(803,438)
- Administration	<u>(825,710)</u>	<u>0</u>	<u>(40,810)</u>	<u>0</u>	<u>(866,520)</u>
Total Accumulated Depreciation	<u>(28,715,208)</u>	<u>0</u>	<u>(1,344,486)</u>	<u>122,508</u>	<u>(29,937,186)</u>
Capital Assets Being Depreciated, Net	<u>10,871,011</u>	<u>6,719,590</u>	<u>(956,773)</u>	<u>(57,223)</u>	<u>16,576,605</u>
Total Capital Assets, Net	<u>\$ 20,296,274</u>	<u>\$ 0</u>	<u>\$ (506,326)</u>	<u>\$ (57,223)</u>	<u>\$ 19,732,725</u>

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLANS**

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Plan Description - Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates:	
Employer	14.0%
Employee	10.0%
 2015 Actual Contribution Rates:	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	2.0%
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$176,422 for 2015.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate Share of the Net Pension Liability	\$ 1,567,218
Proportion of the Net Pension Liability	0.012994%
Pension Expense	\$ 171,110

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 104,528
Authority contributions subsequent to the measurement date	205,827
Current Year Amortization	<u>(20,906)</u>
Total Deferred Outflows of Resources	<u>\$ 289,449</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 40,237
Current Year Amortization	<u>(12,704)</u>
Total Deferred Inflows of Resources	<u>\$ 27,533</u>

\$205,827 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2016	\$ 8,202
2017	8,202
2018	18,780
2019	<u>20,905</u>
Total	<u>\$ 56,089</u>

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projections Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Actuarial Assumptions - OPERS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving the maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other Investments	18.00%	4.59%
Total	100.00%	5.28%

Discount Rate: the discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all period of projected payments to determine the total pension liability.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(7.00%)</u>	<u>(8.00%)</u>	<u>(9.00%)</u>
Authority's proportionate share of the net pension liability	\$ 2,883,239	\$ 1,567,218	\$ 458,818

NOTE 7: **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 two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored 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. Please see the Plan Statement in the OPERS 2014 CAFR for details.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Plan Description** (Continued)

The Ohio Revised Code permits, but does not require, OPERS to provide healthcare to its eligible benefit recipients. Authority to establish and amend healthcare coverage 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, 1-800-222-7377, or by visiting, www.opers.org/investments/cafr.shtml.

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 to fund OPERS healthcare plans.

Employer contribution rates are expressed as a percentage of the earnable salary payroll of active members. In 2015, 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 earnable salary for state and local employers. Active member contributions do not fund health care.

OPERS maintains that cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined Plans. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0 percent for calendar year 2015. As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.00 percent for the Traditional Plan. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of actual Authority contributions for the years ended December 31, 2015, 2014 and 2013, which were used by OPERS to fund post-employment benefits were \$29,404, \$31,861, and \$15,314, respectively.

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 8: LONG-TERM DEBT

Change in Long-Term Liabilities:

	Balance 01/01/2015	Additions	Deletions	Balance 12/31/2015	Current Portion
Compensated Absences	\$ 205,459	\$ 25,040	\$ (10,521)	\$ 219,978	\$ 117,746
Long-Term Debt	5,731,992	0	(314,102)	5,417,890	337,074
Net Pension Liability	<u>1,531,820</u>	<u>35,398</u>	<u>0</u>	<u>1,567,218</u>	<u>0</u>
Total	<u>\$ 7,469,271</u>	<u>\$ 60,438</u>	<u>\$ (324,623)</u>	<u>\$ 7,205,086</u>	<u>\$ 454,820</u>

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

The following is a summary of the Authority's future debt service requirements for debt payable as of December 31, 2015:

For the Year Ended December 31,	Principal	Interest	Total Payments
2016	\$ 337,074	\$ 142,328	\$ 479,402
2017	361,091	133,473	494,564
2018	386,194	123,987	510,181
2019	412,424	113,842	526,266
2020	439,826	103,007	542,833
2021-2025	2,654,428	326,182	2,980,610
2026-2030	<u>826,853</u>	<u>23,190</u>	<u>850,043</u>
Totals	<u>\$ 5,417,890</u>	<u>\$ 966,009</u>	<u>\$ 6,383,899</u>

NOTE 9: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

The accompanying Schedule of Expenditure of Federal Awards is a summary of the activity of the Authority's federal programs. This schedule has been prepared on the accrual basis of accounting. The Authority has not elected to use the 10 % de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 9: NET INVESTMENT IN CAPITAL ASSETS

Capital Assets	\$ 19,732,725
Less Related Debt	<u>(5,417,890)</u>
Net Investment in Capital Assets	<u>\$ 14,314,835</u>

JEFFERSON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 10: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2015 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 plan, 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. An estimated asset of \$232,140 for surplus contributions was accrued at December 31, 2015.

NOTE 11: **CONTINGENCIES**

The Office of Inspector General U.S. Department of Housing and Urban Development has issued three reports in the period and subsequent to it (2015-CH-1004, 2015-CH-1007 and 2016-CH-1005) of audits it has completed of certain activities of the Authority. Negotiations of what will be required of the Authority to satisfy the recommendations made by the Office of Inspector General are not complete. The Authority expects the ultimate outcome of the negotiations will not have a material adverse effect on the balances reported on the consolidated financial statements.

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS (1)**

	2014	2013
Authority's Proportion of the Net Pension Liability	0.012994%	0.012994%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,567,218	\$ 1,531,820
Authority's Covered-Employee Payroll	\$ 1,593,071	\$ 1,531,414
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	98.38%	100.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amount presented as of the Authority's measurement date, which is the prior fiscal year end.

Jefferson Metropolitan Housing Authority
 Required Supplementary Information
 Schedule of the Authority's Contributions
 Ohio Public Employees Retirement System
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$176,422	\$191,169	\$199,084	\$160,329	\$161,687	\$139,793	\$121,125	\$92,060	\$102,657	\$150,100
Contributions in Relation to the Contractually Required Contribution	176,422	191,169	199,084	160,329	161,687	139,793	121,125	92,060	102,657	150,100
Contribution Deficiency/(Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Authority's Covered-Employee Payroll	\$1,470,184	\$1,593,071	\$1,531,414	\$1,603,290	\$1,616,871	\$1,553,257	\$1,459,337	\$1,315,143	\$1,321,200	\$1,660,400
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.30%	7.00%	7.77%	9.04%

JEFFERSON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2015

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	8 Other Federal Program 1	1 Business Activities	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.896 PIH Family Self-Sufficiency Program	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	2,036,440	32,648	619,601		7,292	23,705		209,099	2,928,785		2,928,785
113 Cash - Other Restricted	256,061	92,160							348,221		348,221
114 Cash - Tenant Security Deposits	116,717		21,275		9,274				147,266		147,266
100 Total Cash	2,409,218	124,808	640,876	-	16,566	23,705	-	209,099	3,424,272	-	3,424,272
122 Accounts Receivable - HUD Other Projects								180,112	180,112		180,112
125 Accounts Receivable - Miscellaneous	11,104		3,427		263				14,794		14,794
126 Accounts Receivable - Tenants	38,117		13,639		1,803				53,559		53,559
126.1 Allowance for Doubtful Accounts - Tenants	-9,887		-680		-984				-11,551		-11,551
126.2 Allowance for Doubtful Accounts - Other	-6,125		-1,308						-7,433		-7,433
129 Accrued Interest Receivable	3								3		3
120 Total Receivables, Net of Allowances for Doubtful Accounts	33,212	-	15,078	-	1,082	-	-	180,112	229,484	-	229,484
142 Prepaid Expenses and Other Assets	158,043	912	13,928		3,819			239,978	416,680		416,680
143 Inventories	64,297		10,480						74,777		74,777
143.1 Allowance for Obsolete Inventories	-6,429		-1,048						-7,477		-7,477
150 Total Current Assets	2,658,341	125,720	679,314	-	21,467	23,705	-	629,189	4,137,736	-	4,137,736
161 Land	2,581,882		70,000		41,100			5,000	2,697,982		2,697,982
162 Buildings	40,003,561		3,775,150		558,900			134,377	44,471,988		44,471,988
163 Furniture, Equipment & Machinery - Dwellings	973,021		92,882						1,065,903		1,065,903
164 Furniture, Equipment & Machinery - Administration	514,484	35,059	87,573					338,784	975,900		975,900
166 Accumulated Depreciation	-26,026,160	-33,959	-3,528,292		-34,931			-313,844	-29,937,186		-29,937,186
167 Construction in Progress	458,138								458,138		458,138
160 Total Capital Assets, Net of Accumulated Depreciation	18,504,926	1,100	497,313	-	565,069	-	-	164,317	19,732,725	-	19,732,725
180 Total Non-Current Assets	18,504,926	1,100	497,313	-	565,069	-	-	164,317	19,732,725	-	19,732,725
200 Deferred Outflow of Resources								289,449	289,449		289,449
290 Total Assets and Deferred Outflow of Resources	21,163,267	126,820	1,176,627	-	586,536	23,705	-	1,082,955	24,159,910	-	24,159,910
312 Accounts Payable <= 90 Days	191,950	16,612	22,267		8,500	71		24,534	263,934		263,934
321 Accrued Wage/Payroll Taxes Payable	9,353	2,359	2,098		363	148		40,371	54,692		54,692
322 Accrued Compensated Absences - Current Portion	70,968		8,115		285	1,591		36,787	117,746		117,746
325 Accrued Interest Payable	88,955								88,955		88,955
331 Accounts Payable - HUD PHA Programs						6,492			6,492		6,492
333 Accounts Payable - Other Government	13,373		7,121		2,398				22,892		22,892
341 Tenant Security Deposits	116,717		21,275		9,274				147,266		147,266
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	337,074								337,074		337,074
345 Other Current Liabilities	3,805								3,805		3,805
346 Accrued Liabilities - Other	3,900	1,893	1,693		413	148		4,859	12,906		12,906
310 Total Current Liabilities	836,095	20,864	62,569	-	21,233	8,450	-	106,551	1,055,762	-	1,055,762

JEFFERSON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2015

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	8 Other Federal Program 1	1 Business Activities	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.896 PIH Family Self-Sufficiency Program	COCC	Subtotal	ELIM	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	5,080,816								5,080,816		5,080,816
353 Non-current Liabilities - Other		52,444							52,444		52,444
354 Accrued Compensated Absences - Non Current	45,276	6,154	14,126		4,587	1,873		30,216	102,232		102,232
357 Accrued Pension and OPEB Liabilities								1,567,218	1,567,218		1,567,218
350 Total Non-Current Liabilities	5,126,092	58,598	14,126	-	4,587	1,873	-	1,597,434	6,802,710	-	6,802,710
300 Total Liabilities	5,962,187	79,462	76,695	-	25,820	10,323	-	1,703,985	7,858,472	-	7,858,472
400 Deferred Inflow of Resources								27,533	27,533		27,533
508.4 Net Investment in Capital Assets	13,087,036	1,100	497,313		565,069			164,317	14,314,835		14,314,835
511.4 Restricted Net Position	256,061	39,716							295,777		295,777
512.4 Unrestricted Net Position	1,857,983	6,542	602,619		-4,353	13,382		-812,880	1,663,293		1,663,293
513 Total Equity - Net Assets / Position	15,201,080	47,358	1,099,932	-	560,716	13,382	-	-648,563	16,273,905	-	16,273,905
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	21,163,267	126,820	1,176,627	-	586,536	23,705	-	1,082,955	24,159,910	-	24,159,910

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

	Project Total	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	8 Other Federal Program 1	1 Business Activities	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,896 PIH Family Self-Sufficiency Program	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	739,044		259,029		106,988				1,105,061		1,105,061
70400 Tenant Revenue - Other	1,858		622						2,480		2,480
70500 Total Tenant Revenue	740,902	-	259,651	-	106,988	-	-	-	1,107,541	-	1,107,541
70600 HUD PHA Operating Grants	3,526,609	3,409,488	487,901			101,477	49,582		7,575,057		7,575,057
70610 Capital Grants	450,447								450,447		450,447
70710 Management Fee								554,365	554,365	-554,365	-
70720 Asset Management Fee								80,050	80,050	-80,050	-
70730 Book Keeping Fee								102,033	102,033	-102,033	-
70700 Total Fee Revenue	-	-	-	-	-	-	-	736,448	736,448	-736,448	-
71100 Investment Income - Unrestricted	965	98				16		94	1,173		1,173
71400 Fraud Recovery		566							566		566
71500 Other Revenue	83,445	5,824	2,470		2,513				94,252		94,252
71600 Gain or Loss on Sale of Capital Assets	-57,223								-57,223		-57,223
72000 Investment Income - Restricted	3								3		3
70000 Total Revenue	4,745,148	3,415,976	750,022	-	109,501	101,493	49,582	736,542	9,908,264	-736,448	9,171,816
91100 Administrative Salaries	256,898	138,740	91,302		15,336	12,178		399,548	914,002		914,002
91200 Auditing Fees	13,470	2,000	2,000		500	1,200		641	19,811		19,811
91300 Management Fee	478,285	76,080	8,737						563,102	-554,365	8,737
91310 Book-keeping Fee	56,385	45,648							102,033	-102,033	-
91400 Advertising and Marketing	2,638	2,369	1,646		129	9		3,035	9,826		9,826
91500 Employee Benefit contributions - Administrative	71,289	31,146	25,336		4,256	3,380		107,356	242,763		242,763
91600 Office Expenses	56,932	38,174	18,653		7,137	242		63,851	184,989		184,989
91700 Legal Expense		598	4,263			2		28,526	33,389		33,389
91800 Travel	8,006	758	552			4		507	9,827		9,827
91900 Other	19,884	52,680	2,733		274	420		75,925	151,916		151,916
91000 Total Operating - Administrative	963,787	388,193	155,222	-	27,632	17,435	-	679,389	2,231,658	-656,398	1,575,260
92000 Asset Management Fee	80,050								80,050	-80,050	-
92100 Tenant Services - Salaries							33,055		33,055		33,055
92300 Employee Benefit Contributions - Tenant Services							16,527		16,527		16,527
92400 Tenant Services - Other	349								349		349
92500 Total Tenant Services	349	-	-	-	-	-	49,582	-	49,931	-	49,931
93100 Water	215,720		42,409		9,038			281	267,448		267,448
93200 Electricity	502,206		98,431		19,515			1,413	621,565		621,565
93300 Gas	21,268		8,450					931	30,649		30,649
93600 Sewer	136,940		27,060		5,591			173	169,764		169,764
93000 Total Utilities	876,134	-	176,350	-	34,144	-	-	2,798	1,089,426	-	1,089,426
94100 Ordinary Maintenance and Operations - Labor	443,937		51,372		12,698				508,007		508,007
94200 Ordinary Maintenance and Operations - Materials and Other	178,284	569	34,191		5,046	2		7,012	225,104		225,104
94300 Ordinary Maintenance and Operations Contracts	704,973	4,450	110,366		25,822	18		5,595	851,224		851,224
94500 Employee Benefit Contributions - Ordinary Maintenance	123,192		14,256		3,524				140,972		140,972
94000 Total Maintenance	1,450,386	5,019	210,185	-	47,090	20	-	12,607	1,725,307	-	1,725,307

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	8 Other Federal Program 1	1 Business Activities	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.896 PIH Family Self-Sufficiency Program	COCC	Subtotal	ELIM	Total
95100 Protective Services - Labor	23,864		3,598						27,462		27,462
95200 Protective Services - Other Contract Costs	449,173		64,901		2,989				517,063		517,063
95300 Protective Services - Other	1,379								1,379		1,379
95500 Employee Benefit Contributions - Protective Services	5,243		998						6,241		6,241
95000 Total Protective Services	479,659	-	69,497	-	2,989	-	-	-	552,145	-	552,145
96110 Property Insurance	105,368		5,274		2,237			403	113,282		113,282
96120 Liability Insurance	61,642	1,008	9,634		1,785			8,228	82,297		82,297
96130 Workmen's Compensation	22,517	5,015	4,277		777	338		10,439	43,363		43,363
96100 Total insurance Premiums	189,527	6,023	19,185	-	4,799	338	-	19,070	238,942	-	238,942
96200 Other General Expenses	4,800								4,800		4,800
96300 Payments in Lieu of Taxes	16,151		7,189		2,421			1,805	27,566		27,566
96400 Bad debt - Tenant Rents	31,898		1,723		5,120				38,741		38,741
96800 Severance Expense	7,337	4,416	15,292		4,430	1,796		10,521	43,792		43,792
96000 Total Other General Expenses	60,186	4,416	24,204	-	11,971	1,796	-	12,326	114,899	-	114,899
96720 Interest on Notes Payable (Short and Long Term)	145,422								145,422		145,422
96700 Total Interest Expense and Amortization Cost	145,422	-	-	-	-	-	-	-	145,422	-	145,422
96900 Total Operating Expenses	4,245,500	403,651	654,643	-	128,625	19,589	49,582	726,190	6,227,780	-736,448	5,491,332
97000 Excess of Operating Revenue over Operating Expenses	499,648	3,012,325	95,379	-	-19,124	81,904	-	10,352	3,680,484	-	3,680,484
97300 Housing Assistance Payments		3,032,931				79,645			3,112,576		3,112,576
97350 HAP Portability-In		5,068							5,068		5,068
97400 Depreciation Expense	1,177,771	440	135,206		13,972			17,097	1,344,486		1,344,486
90000 Total Expenses	5,423,271	3,442,090	789,849	-	142,597	99,234	49,582	743,287	10,689,910	-736,448	9,953,462
10010 Operating Transfer In	375,446	65,000							440,446	-440,446	-
10020 Operating transfer Out	-375,446		-65,000						-440,446	440,446	-
10091 Inter Project Excess Cash Transfer In	75,000								75,000	-75,000	-
10092 Inter Project Excess Cash Transfer Out	-75,000								-75,000	75,000	-
10100 Total Other financing Sources (Uses)	-	65,000	-65,000	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-678,123	38,886	-104,827	-	-33,096	2,259	-	-6,745	-781,646	-	-781,646
11020 Required Annual Debt Principal Payments	283,917								283,917		283,917
11030 Beginning Equity	15,879,203	8,472	1,204,759	11,123	593,812			666,972	18,364,341		18,364,341
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				-11,123		11,123		-1,308,790	-1,308,790		-1,308,790
11170 Administrative Fee Equity		7,642							7,642		7,642
11180 Housing Assistance Payments Equity		39,716							39,716		39,716
11190 Unit Months Available	8,005	9,816	1,200	180	312				19,513		19,513
11210 Number of Unit Months Leased	7,518	7,608	1,094	179	264				16,663		16,663

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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>		
Low Rent Public Housing Program	14.850	\$ <u>3,057,705</u>
Capital Fund Program	14.872	<u>919,351</u>
Section 8 Housing Choice Voucher Program	14.871	<u>3,409,488</u>
<u>Section 8 Project Based Program Cluster</u>		
Section 8 New Construction	14.182	487,901
Section 8 Moderate Rehabilitation - Single Room Occupancy	14.249	<u>101,477</u>
Total Section 8 Project Based Programs		<u>589,378</u>
PIH Family Self-Sufficiency	14.896	<u>49,582</u>
Total U.S. Department of Housing and Urban Development		<u>8,025,504</u>
Total Federal Expenditures		<u>\$ 8,025,504</u>

This schedule is prepared on the accrual basis of accounting.

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

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

To the Members of the Board of
Jefferson Metropolitan Housing Authority
Stuebenville, Ohio

Regional Inspector General of 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, (Housing Authority) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated September 27, 2016, wherein we noted that the Housing Authority adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at December 31, 2014 for business-type activities.

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 Jefferson Metropolitan Housing Authority, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jefferson Metropolitan Housing Authority, Ohio's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Jefferson Metropolitan Housing Authority, Ohio'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. Therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we considered a material weakness as item **2015-001**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jefferson Metropolitan Housing Authority, Ohio's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item **2015-001**.

Responses to Findings

The Jefferson Metropolitan Housing Authority, Ohio's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Jefferson Metropolitan Housing Authority, Ohio's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly we express no opinion on them.

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 Jefferson Metropolitan Housing Authority, Ohio'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 Jefferson Metropolitan Housing Authority, Ohio's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

September 27, 2016

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

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Members of the Board of
Jefferson Metropolitan Housing Authority
Stuebenville, 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 (Housing Authority) compliance with the types of compliance requirements described in the OMB 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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Jefferson Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2015.

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 Jefferson Metropolitan Housing Authority, Ohio'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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Jefferson Metropolitan Housing Authority, Ohio's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

September 27, 2016

**JEFFERSON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2015(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2015(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2015(v)	Type of Major Programs' Compliance Opinion	Unmodified
2015(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2015(vii)	Major Programs (list):	
	Section 8 Housing Choice Vouchers - CFDA # 14.871	
2015(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$750,000 Type B: all others
2015(ix)	Low Risk Auditee?	Yes

JEFFERSON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 2015

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

Finding 2015-001 - Material Weakness - Internal Controls Over Financial Reporting and Compliance Violation

Condition/Criteria

Ohio Administrative Code 117-2-03(B) and 125:3-1-01 (A)(2), and Ohio Revised Code Sections 117.38, 1724.05, and 1726.11, and AOS Bulletin 2015-07 - Annual Financial Reporting - state, in part,.... “All other entity types required to file with the Auditor of State are required to report via the Hinkle System for periods ended in 2015 and thereafter”. Also, per Ohio Revised Code Section 117.38, entities filing on a GAAP-basis must file annual reports within 150 days of the entity’s fiscal year end.

Jefferson Metropolitan Housing Authority did not file its annual report within 150 days of its fiscal year end. In addition, in September 2016, the Authority modified its originally filed financial reporting package with the HUD REAC System and the Hinkle filing system, resulting in material variances. The September modifications were to correct inaccurate financial information previously submitted.

Financial reporting is the responsibility of the entity’s Finance Department and is essential to ensure the information provided to the readers of the financial statements is complete, accurate, and timely.

Cause/Effect

The lack of controls over filing complete and accurate financial statements on a timely basis can result in errors and irregularities that may go undetected and decreases the reliability of the financial data at year end.

Client Response

There has been significant staff turnover at the Authority in 2016, including multiple changes in the Executive Director and Finance Director positions. The current management team has worked diligently to correct this financial reporting situation and modified the financial report in September, 2016. Procedures are in place to ensure that all financial reporting is completed in a timely manner in the future.

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, 2015**

The prior year audit report as of December 31, 2014, contained no findings or comments.

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Dave Yost • Auditor of State

JEFFERSON COUNTY 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
DECEMBER 20, 2016**