

Geauga Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2007



Mary Taylor, CPA

Auditor of State

Board of Directors
Geauga Metropolitan Housing Authority
385 Center Street
Chardon, Ohio 44024

We have reviewed the *Independent Auditors' Report* of the Geauga Metropolitan Housing Authority, Geauga County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2007 through December 31, 2007. 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 Geauga Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 29, 2008

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GEAUGA METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007

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Independent Auditors' Report

Board of Directors
Geauga Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Geauga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Geauga Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Geauga Metropolitan Housing Authority, Ohio, as of December 31, 2007, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated April 23, 2008, on my consideration of Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

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

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

Salvatore Consiglio, CPA, Inc.

April 23, 2008

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

UNAUDITED

As management of the Geauga Metropolitan Housing Authority ("the Authority") we offer this narrative and analysis of the financial activities of the Authority for the year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's net assets decreased by \$421,260 (or 4.50 percent) during 2007, resulting from change from Operations. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net assets were \$8,935,511 and \$9,356,771 for 2007 and 2006, respectively.
- The Authority's cash balance at December 31, 2007 was \$1,861,367, representing an increase of \$26,413 from December 31, 2006.
- Revenues decreased by \$134,123 (or 5.03 percent) during 2007 and were \$2,533,938 and \$2,668,061 for 2007 and 2006, respectively.
- The total expenses of all the Authority's programs increased by \$110,857 (or 3.9 percent). Total expenses were \$2,955,198 and \$2,844,341 for 2007 and 2006, respectively.

Authority Financial Statements

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

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

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets and net liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

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

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related or Debt", or "Restricted Net Assets".

The Authority financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenue, 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 Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Fund Financial Statements

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

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

The Authority's Programs

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

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

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CFP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

AUTHORITY STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to the prior year.

Table 1 - Statement of Net Assets

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Current and Other Assets	\$ 1,942,686	\$ 1,880,283
Capital Assets	<u>7,300,628</u>	<u>7,754,668</u>
Total Assets	<u>9,243,314</u>	<u>9,634,951</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Current Liabilities	185,201	182,117
Long-term Liabilities	<u>122,602</u>	<u>96,063</u>
Total Liabilities	<u>307,803</u>	<u>278,180</u>
<u>Net Assets</u>		
Investment in Capital Assets, Net of Related Debt	7,300,628	7,754,668
Restricted Net Assets	134,603	0
Unrestricted Net Assets	<u>1,500,280</u>	<u>1,602,103</u>
Total Net Assets	<u>8,935,511</u>	<u>9,356,771</u>
Total Liabilities and Net Assets	<u>\$ 9,243,314</u>	<u>\$ 9,634,951</u>

For more detailed information, see Statement of Net Assets presented elsewhere in this report.

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Major Factors Affecting the Statement of Net Assets

During 2007, Current and Other Assets increased by \$62,403 and Total Liabilities increased by \$29,422. The Current and Other Assets, primarily cash, increased due to cash drawn from the Capital Fund Program for the year. The increase in Current Liabilities is due to increase in year-end accruals and an increase in Compensated Absences Payable, due to two employees who met the requirement for eligibility to retire.

Capital Assets also changed, decreasing from \$7,754,668 to \$7,300,628. The \$454,040 decrease may be contributed primarily to a combination of net acquisitions of \$324,209, less current year depreciation and amortization of \$760,114. For more detail see "Capital Assets".

Change in Unrestricted Net Assets

Details on the change in unrestricted net assets can be found in Table 2 below:

Table 2 - Unrestricted Net Assets

Beginning Balance at December 31, 2006	\$ 1,602,103
Results of Operations	(421,260)
Adjustments:	
Current Year Depreciation Expense (1)	760,114
Capital Expenditures (2)	(324,209)
Write of A&E Fees	18,135
Transfer to Restricted Net Assets	<u>(134,603)</u>
Ending Balance - December 31, 2007	<u>\$ 1,500,280</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

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TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Following schedule compares the revenues and expenses for the current and previous fiscal year.

Table 3 - Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2007</u>	<u>2006</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 651,213	\$ 640,911
Operating Subsidies	1,523,438	1,908,276
Capital Grants	203,384	17,390
Investment Income - Unrestricted	71,569	61,095
Fraud Recovery	14,031	0
Other Revenues	<u>70,303</u>	<u>40,389</u>
Total Revenues	<u>2,533,938</u>	<u>2,668,061</u>
<u>Expenses</u>		
Administrative	527,727	478,127
Tenant Services	12	0
Utilities	304,667	284,633
Maintenance	500,872	450,410
General Expense	114,820	110,673
Housing Assistance Payments	746,986	757,902
Depreciation	<u>760,114</u>	<u>762,596</u>
Total Expenses	<u>2,955,198</u>	<u>2,844,341</u>
Net Increase (Decrease)	<u>\$ (421,260)</u>	<u>\$ (176,280)</u>

Total revenue decreased \$134,123 during 2007 in comparison to 2006. Total revenue decreased due to the decrease in the Public Housing Operating Subsidy. Fraud recovery income was shown separately in 2007, and other revenue increased due to increased charges for other tenant services. Capital grant revenue represented more hard costs than soft costs compared to 2006.

Total expenses increased on comparison to 2006. Total expense increase of \$110,857 was mainly due to increases in both administrative and maintenance salaries and benefits, utilities and maintenance operations. Increased benefit costs were a major reason for higher administrative and maintenance costs.

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Capital Assets

As of year-end, the Authority had \$7,300,628 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (current purchases less depreciation) of \$454,040 or 6 percent from the end of last year.

Table 4 - Statement of Capital Assets at Year-End (Net of Depreciation)

	2007	2006
Land	\$ 727,075	\$ 727,075
Buildings	20,464,025	20,384,200
Furniture, Equipment, and Machinery	820,612	864,726
Construction-in-Progress	227,639	24,255
Accumulated Depreciation	<u>(14,938,723)</u>	<u>(14,245,588)</u>
Total	<u>\$ 7,300,628</u>	<u>\$ 7,754,668</u>

Table 5 - Statement of Change in Capital Assets

Beginning Balance - December 31, 2006	\$ 7,754,668
Current Year Additions	324,209
Current Year Depreciation Expenses	(760,114)
Write-off of A/E Fees	<u>(18,135)</u>
End Balance - December 31, 2007	<u>\$ 7,300,628</u>

Table 6 - Current Year Breakout of Additions to Assets

Murray Manor Kitchens	\$ 287,958
Scranton Woods Water Treatment Plant	13,386
Vehicle	13,955
Miscellaneous Equipment (including phones)	<u>8,910</u>
Total	324,209
Write-off of Prior A/E Fees on SW Water Plant	<u>(18,135)</u>
Net Asset Total Additions	<u>\$ 306,074</u>

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

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Debt

The Authority had no debt at December 31, 2007.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and, therefore, the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs.

Financial Contact

The individual to be contacted regarding this report is Mel Kirschnick, Executive Director of the Geauga Metropolitan Housing Authority, at (440) 286-7413. Specific requests may be submitted to the Geauga Metropolitan Housing Authority at 385 Center Street, Chardon, Ohio 44024.

GEAUGA METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
December 31, 2007

ASSETS

Current assets

Cash and cash equivalents	\$1,664,376
Restricted cash and cash equivalents	196,991
Receivables, net	15,359
Inventories, net	18,633
Prepaid expenses and other assets	47,327
Total current assets	<u>1,942,686</u>

Noncurrent assets

Capital assets:	
Land	727,075
Building and equipment	21,284,637
Construction in Progress	227,639
Less accumulated depreciation	(14,938,723)
Total noncurrent assets	<u>7,300,628</u>
Total assets	<u><u>\$9,243,314</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$29,550
Accrued liabilities	45,078
Intergovernmental payables	34,317
Tenant security deposits	60,704
Other current liabilities	15,552
Total current liabilities	<u>185,201</u>

Noncurrent liabilities

Accrued compensated absences non-current	122,602
Total noncurrent liabilities	<u>122,602</u>
Total liabilities	<u><u>\$307,803</u></u>

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets - Cont'd.
Proprietary Funds
December 31, 2007

NET ASSETS

Invested in capital assets, net of related debt	\$7,300,628
Restricted net assets	134,603
Unrestricted net assets	1,500,280
Total net assets	<u><u>\$8,935,511</u></u>

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007

OPERATING REVENUES

Tenant Revenue	\$651,213
Government operating grants	1,523,438
Other revenue	84,334
Total operating revenues	<u>2,258,985</u>

OPERATING EXPENSES

Administrative	527,727
Tenant services	12
Utilities	304,667
Maintenance	500,872
General	114,820
Housing assistance payment	746,986
Depreciation	760,114
Total operating expenses	<u>2,955,198</u>
Operating income (loss)	<u>(696,213)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	71,569
Total nonoperating revenues (expenses)	<u>71,569</u>
Income (loss) before contributions and transfers	(624,644)
Capital grants	203,384
Change in net assets	(421,260)
Total net assets - beginning	9,356,771
Total net assets - ending	<u><u>\$8,935,511</u></u>

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

Geauga Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$1,523,438
Tenant revenue received	657,028
Other revenue received	90,556
General and administrative expenses paid	(1,448,367)
Housing assistance payments	(746,986)
	<u>(746,986)</u>

Net cash provided (used) by operating activities **75,669**

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	71,569
	<u>71,569</u>

Net cash provided (used) by investing activities **71,569**

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Capital grant funds received	203,384
Proceeds from trade-in of vehicle	3,000
Property and equipment purchased	(327,209)
	<u>(327,209)</u>

Net cash provided (used) by capital and related activities **(120,825)**

Net increase (decrease) in cash 26,413

Cash and cash equivalents - Beginning of year 1,834,954

Cash and cash equivalents - End of year **\$1,861,367**

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

Geauga Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2007

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

Net Operating Income (Loss)	(\$696,213)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	760,114
- (Increases) Decreases in Accounts Receivable	5,815
- (Increases) Decreases in Prepaid Assets	(47,327)
- Increases (Decreases) in Inventory	5,522
- Increases (Decreases) in Accounts Payable	(14,573)
- Increases (Decreases) in Accounts Payable - Intergovernmental	64
- Increases (Decreases) in Accrued Compensated Absence	37,498
- Increases (Decreases) in Accrued Expenses Payable	412
- Increases (Decreases) in Tenant Security Deposits	448
- Increases (Decreases) in Other Liabilities	5,774
- Write off of Prior year A/E Fees	18,135
	18,135
Net cash provided by operating activities	\$75,669

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of Significant Accounting Policies

The financial statements of the Geauga Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (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 Geauga Metropolitan Housing Authority was created under the Ohio Revised Code Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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 Authority's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

Fund Accounting

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

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

Proprietary Fund Types

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

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

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

Measurement Focus/Basis of Accounting

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

Description of Programs

The following are the various programs which are included in the Authority's single enterprise fund:

A. **Public Housing Program**

The public housing program is designed to provide low-cost housing within Geauga 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.

Investments

The provisions of the HUD regulations restrict investments. Investments are valued at market value. Interest income earned in the fiscal year ending December 31, 2007 totaled \$71,569.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

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

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 \$500 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	40 year
Buildings Improvements	15 years
Furniture, equipment and machinery	3-7 years

Net Assets

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

Operating Revenues and Expenses

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

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 accumulated are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absence accrual amount.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

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

Compensated Absences (Continued)

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 expenses when earned with the amount reported as a fund liability.

Budgetary Accounting

The Authority is required by contractual agreements to adopt annual operating budgets for all its HUD funded programs. The budgets for its programs are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The Board of Commissioners adopts the budget through passage of a budget resolution.

Accounting and Reporting for Non-Exchange Transactions

The Authority accounts for non-exchange transactions in accordance with Governmental Accounting Standards Board (GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*). Non-exchange transactions occur when the Authority receives (or gives) value without directly giving (or receiving) equal value in return.

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.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

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

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable, or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of 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 certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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 the 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, 2007, the carrying amount of the Authority's deposits totaled \$1,861,367 and its bank balance was \$1,932,176. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2007, \$1,732,176 was exposed to custodial risk as discussed below, while \$200,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of a 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 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.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 3: RESTRICTED CASH

The restricted cash balance of \$196,991 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$134,603
Tenant Security deposits in the Low Rent Public Housing Program	<u>62,388</u>
Total Restricted Cash	<u>\$196,991</u>

NOTE 4: CAPITAL ASSETS

The following is a summary of changes:

	<u>Balance 12/31/06</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/07</u>
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 727,075	\$ 0	\$ 0	\$ 0	\$ 727,075
Construction-in-Progress	<u>24,255</u>	<u>0</u>	<u>221,519</u>	<u>(18,135)</u>	<u>227,639</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>751,330</u>	<u>0</u>	<u>221,519</u>	<u>(18,135)</u>	<u>954,714</u>
<i>Capital Assets Being Depreciated:</i>					
Buildings	20,384,200	0	79,825	0	20,464,025
Furniture, Machinery, and Equipment	<u>864,726</u>	<u>0</u>	<u>22,865</u>	<u>(66,979)</u>	<u>820,612</u>
<i>Total Capital Assets Being Depreciated</i>	<u>21,248,926</u>	<u>0</u>	<u>102,690</u>	<u>(66,979)</u>	<u>21,284,637</u>
<i>Accumulated Depreciation:</i>					
Buildings	(13,454,591)	39,015	(744,802)	0	(14,160,378)
Furniture, Machinery, and Equipment	<u>(790,997)</u>	<u>(39,015)</u>	<u>(15,312)</u>	<u>66,979</u>	<u>(778,345)</u>
<i>Total Accumulated Depreciation</i>	<u>(14,245,588)</u>	<u>0</u>	<u>(760,114)</u>	<u>66,979</u>	<u>(14,938,723)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>7,003,338</u>	<u>0</u>	<u>(657,424)</u>	<u>0</u>	<u>6,345,914</u>
Total Capital Assets, Net	<u>\$ 7,754,668</u>	<u>\$ 0</u>	<u>\$ (435,905)</u>	<u>\$ (18,135)</u>	<u>\$ 7,300,628</u>

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

NOTE 5: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

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

The Ohio Public Employees Retirement System administers three separate pension plans as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.
- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 9.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 13.85 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2007, 2006, and 2005, were \$70,935, \$64,567, and \$57,430, respectively. The full amount has been contributed for 2007, 2006, and 2005.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 employer rate was 13.85 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for State and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 5.00 percent from January 1 through June 30, 2007, and 6.00 percent from July 1 through December 31, 2007. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

As of December 31, 2007, the number of active contributing participants in the Traditional Pension and Combined plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual Authority contributions for 2007 which were used to fund post-employment benefits were \$25,608. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2006 (the latest information available) was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow the benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 7: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

NOTE 8: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During fiscal year ending December 31, 2007, the Authority maintained comprehensive insurance coverage with private carriers for health, real property, building contents, and vehicles. Vehicles 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.

Geauga Metropolitan Housing Authority
Combining FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
December 31, 2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$1,639,501	\$24,875	\$0	\$1,664,376
113	Cash - Other Restricted	\$0	\$134,603	\$0	\$134,603
114	Cash - Tenant Security Deposits	\$62,388	\$0	\$0	\$62,388
100	Total Cash	\$1,701,889	\$159,478	\$0	\$1,861,367
126	Accounts Receivable - Tenants - Dwelling Rents	\$17,065	\$0	\$0	\$17,065
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$1,706)	\$0	\$0	(\$1,706)
120	Total Receivables, net of allowances for doubtful accounts	\$15,359	\$0	\$0	\$15,359
142	Prepaid Expenses and Other Assets	\$47,327	\$0	\$0	\$47,327
143	Inventories	\$18,633	\$0	\$0	\$18,633
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$15,745	\$0	\$0	\$15,745
150	Total Current Assets	\$1,798,953	\$159,478	\$0	\$1,958,431
161	Land	\$727,075	\$0	\$0	\$727,075
162	Buildings	\$20,464,025	\$0	\$0	\$20,464,025
163	Furniture, Equipment & Machinery - Dwellings	\$401,519	\$0	\$0	\$401,519
164	Furniture, Equipment & Machinery - Administration	\$415,618	\$3,475	\$0	\$419,093
165	Leasehold Improvements	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	(\$14,935,248)	(\$3,475)	\$0	(\$14,938,723)
167	Construction In Progress	\$0	\$0	\$227,639	\$227,639
160	Total Fixed Assets, Net of Accumulated Depreciation	\$7,072,989	\$0	\$227,639	\$7,300,628
180	Total Non-Current Assets	\$7,072,989	\$0	\$227,639	\$7,300,628
190	Total Assets	\$8,871,942	\$159,478	\$227,639	\$9,259,059
312	Accounts Payable <= 90 Days	\$29,550	\$0	\$0	\$29,550
321	Accrued Wage/Payroll Taxes Payable	\$14,428	\$0	\$0	\$14,428
322	Accrued Compensated Absences - Current Portion	\$30,650	\$0	\$0	\$30,650
333	Accounts Payable - Other Government	\$34,317	\$0	\$0	\$34,317
341	Tenant Security Deposits	\$60,704	\$0	\$0	\$60,704
345	Other Current Liabilities	\$15,552	\$0	\$0	\$15,552
347	Interprogram Due To	\$0	\$15,745	\$0	\$15,745
310	Total Current Liabilities	\$185,201	\$15,745	\$0	\$200,946
354	Accrued Compensated Absences - Non Current	\$122,602	\$0	\$0	\$122,602
350	Total Noncurrent Liabilities	\$122,602	\$0	\$0	\$122,602
300	Total Liabilities	\$307,803	\$15,745	\$0	\$323,548

Geauga Metropolitan Housing Authority
Combining FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
December 31, 2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
508.1	Invested in Capital Assets, Net of Related Debt	\$7,072,989	\$0	\$227,639	\$7,300,628
511.1	Restricted Net Assets	\$0	\$134,603	\$0	\$134,603
512.1	Unrestricted Net Assets	\$1,491,150	\$9,130	\$0	\$1,500,280
513	Total Equity/Net Assets	\$8,564,139	\$143,733	\$227,639	\$8,935,511
600	Total Liabilities and Equity/Net Assets	\$8,871,942	\$159,478	\$227,639	\$9,259,059
703	Net Tenant Rental Revenue	\$651,213	\$0	\$0	\$651,213
705	Total Tenant Revenue	\$651,213	\$0	\$0	\$651,213
706	HUD PHA Operating Grants	\$543,527	\$920,374	\$59,537	\$1,523,438
706.1	Capital Grants	\$0	\$0	\$203,384	\$203,384
711	Investment Income - Unrestricted	\$70,795	\$35	\$0	\$70,830
714	Fraud Recovery	\$12,335	\$1,696	\$0	\$14,031
715	Other Revenue	\$67,303	\$0	\$0	\$67,303
716	Gain/Loss on Sale of Fixed Assets	\$3,000	\$0	\$0	\$3,000
720	Investment Income - Restricted	\$0	\$739	\$0	\$739
700	Total Revenue	\$1,348,173	\$922,844	\$262,921	\$2,533,938
911	Administrative Salaries	\$221,516	\$52,846	\$14,313	\$288,675
912	Auditing Fees	\$4,873	\$1,153	\$0	\$6,026
914	Compensated Absences	\$40,096	(\$2,597)	\$0	\$37,499
915	Employee Benefit Contributions - Administrative	\$80,307	\$19,326	\$3,526	\$103,159
916	Other Operating - Administrative	\$59,576	\$10,287	\$22,505	\$92,368
924	Tenant Services - Other	\$12	\$0	\$0	\$12
931	Water	\$62,561	\$0	\$0	\$62,561
932	Electricity	\$85,228	\$0	\$0	\$85,228
933	Gas	\$66,024	\$0	\$0	\$66,024
938	Other Utilities Expense	\$90,854	\$0	\$0	\$90,854
941	Ordinary Maintenance and Operations - Labor	\$225,407	\$0	\$0	\$225,407
942	Ordinary Maintenance and Operations - Materials and Other	\$102,752	\$0	\$0	\$102,752
943	Ordinary Maintenance and Operations - Contract Costs	\$92,405	\$0	\$0	\$92,405
945	Employee Benefit Contributions - Ordinary Maintenance	\$80,308	\$0	\$0	\$80,308
961	Insurance Premiums	\$65,743	\$0	\$0	\$65,743
962	Other General Expenses	\$0	\$453	\$0	\$453
963	Payments in Lieu of Taxes	\$34,317	\$0	\$0	\$34,317
964	Bad Debt - Tenant Rents	\$14,307	\$0	\$0	\$14,307
969	Total Operating Expenses	\$1,326,286	\$81,468	\$40,344	\$1,448,098
970	Excess Operating Revenue over Operating Expenses	\$21,887	\$841,376	\$222,577	\$1,085,840

Geauga Metropolitan Housing Authority
Combining FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
December 31, 2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
973	Housing Assistance Payments	\$0	\$746,986	\$0	\$746,986
974	Depreciation Expense	\$759,838	\$276	\$0	\$760,114
900	Total Expenses	\$2,086,124	\$828,730	\$40,344	\$2,955,198
1001	Operating Transfers In	\$19,193	\$0	\$0	\$19,193
1002	Operating Transfers Out	\$0	\$0	(\$19,193)	(\$19,193)
1010	Total Other Financing Sources (Uses)	\$19,193	\$0	(\$19,193)	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$718,758)	\$94,114	\$203,384	(\$421,260)
1103	Beginning Equity	\$9,282,897	\$49,619	\$24,255	\$9,356,771
	Ending Equity	\$8,564,139	\$143,733	\$227,639	\$8,935,511
1120	Unit Months Available	2,916	2,052	0	4,968
1121	Number of Unit Months Leased	2,887	1,953	0	4,840
1117	Administrative Fee Equity	\$0	\$9,130	\$0	\$9,130
1118	Housing Assistance Payments Equity	\$0	\$134,603	\$0	\$134,603

Geauga Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2007

Capital Fund Program Number OH12P04250105

1. The Program Costs are as follows:

Funds Approved	\$346,852
Funds Expended	<u>346,852</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$346,852
Funds Expended	<u>346,852</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on September 13, 2007.
4. The final costs on the certification agree to the Authority's records.

Geauga Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended December 31, 2007

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$543,527
Housing Choice Vouchers	14.871	920,374
Public Housing Capital Fund Program	14.872	<u>262,921</u>
TOTAL AWARDS		<u><u>\$1,726,822</u></u>



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

Board of Directors
Geauga Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of the Geauga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the Geauga Metropolitan Housing Authority basic financial statements and have issued my report thereon dated April 23, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the authority's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Geauga Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The result of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Salvatore Consiglio, CPA, Inc.

April 23, 2008



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

Board of Directors
Geauga Metropolitan Housing Authority

Compliance

I have audited the compliance of the Geauga Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. Geauga Metropolitan Housing Authority, Ohio major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Geauga Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Geauga Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Geauga Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Geauga Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Geauga Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Salvatore Consiglio, CPA, Inc.

April 23, 2008

Geauga Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.850 – Low Rent Public Housing Program and 14.871-Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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There are no Findings or questioned costs for the year ended December 31, 2007.

3. FINDINGS RELATED TO FEDERAL AWARDS
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There are no Findings or questioned costs for the year ended December 31, 2007.

Geauga Metropolitan Housing Authority
 Schedule of Prior Audit Findings
 December 31, 2007

The following is the status of the December 31, 2006 audit finding:

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
GMHA-2006-1	Negative Administration Equity	Yes	Finding fully corrected. Current year ending equity for administration is \$9,130.



Mary Taylor, CPA
Auditor of State

GEAUGA METROPOLITAN HOUSING AUTHORITY

GEAUGA 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
AUGUST 12, 2008**