GEAUGA METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008

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 James G. Zupka, CPA, Inc., for the audit period January 1, 2008 to December 31, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 8, 2009

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BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Board of Directors
Geauga Metropolitan Housing Authority
Chardon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying basic financial statements of the Geauga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Geauga Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Geauga Metropolitan Housing Authority, Ohio, as of December 31, 2008, and the respective changes in net assets and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 29, 2009, on our consideration of the Geauga 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 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 assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Geauga Metropolitan Housing Authority, Ohio's basic financial statements. 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 Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements of the Geauga Metropolitan Housing Authority, Ohio. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The Authority has not presented the Financial Data Schedules (FDS) required by the U.S. Department of Housing and Urban Development ("the Department") for additional analysis, although not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the Department is now undertaking.

James G. Zupka, CPA, Inc.

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

May 29, 2009

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, 2008. 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 $345,961, or 3.87 percent, during 2008, resulting from changes in 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 $8,589,550 and $8,935,511 for 2008 and 2007, respectively.

- The Authority's cash balance at December 31, 2008 was $1,220,387, representing a decrease of $640,980 from December 31, 2007.

- Revenues increased by $276,712, or 10.9 percent, during 2008 and were $2,810,650 and $2,533,938 for 2008 and 2007, respectively.

- The total expenses of all the Authority programs increased by $201,413, or 7 percent. Total expenses were $3,156,611 and $2,955,198 for 2008 and 2007, respectively.

THE AUTHORITY'S 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.

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 Debt", or "Restricted Net Assets".

The Authority's 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 U.S. 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 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.

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 CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of the Authority's units.

THE AUTHORITY'S STATEMENTS

Statement of Net Assets

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

Table 1 - Condensed Statement of Net Assets Compared to Prior Year

	2008	2007
Assets		
Current and Other Assets	$ 1,295,308	$ 1,942,686
Capital Assets	7,600,189	7,300,628
Total Assets	$ 8,895,497	$ 9,243,314
Liabilities		
Current Liabilities	$ 203,123	$ 185,201
Noncurrent Liabilities	102,824	122,602
Total Liabilities	305,947	307,803
Net Assets		
Invested in Capital Assets, Net of Related Debt	7,600,189	7,300,628
Restricted Net Assets	31,646	134,603
Unrestricted Net Assets	957,715	1,500,280
Total Net Assets	8,589,550	8,935,511
Total Liabilities and Net Assets	$ 8,895,497	$ 9,243,314

For more detail information, see Statement of Net Assets presented on page 9.

Major Factors Affecting the Statement of Net Assets

During 2008, Current and Other Assets decreased by $647,378 and Total Liabilities decreased by $1,856. Current and Other Assets, primarily cash, decreased due to the purchase of capital assets during the year. The increase in Current Liabilities is due to increase in year-end accounts payable.

Capital Assets also changed, increasing from $7,300,628 to $7,600,189. The $299,561 increase may be contributed primarily to a combination of net acquisitions of $1,072,990, less current year depreciation and amortization of $773,429. 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- Changes of Unrestricted Net Assets

Beginning Balance - December 31, 2007	$ 1,500,280
Results of Operations	(345,961)
Adjustments:	
Current Year Depreciation Expense (1)	773,429
Capital Expenditures (2)	(1,072,990)
Transfer from Restricted Net Assets	102,957
Ending Balance - December 31, 2008	$ 957,715

(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.

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

	2008	2007
Revenues		
Total Tenant Revenues	$ 655,024	$ 651,213
Operating Subsidies	1,466,700	1,523,438
Capital Grants	556,431	203,384
Investment Income	34,213	71,569
Gain on Disposal of Assets	3,500	0
Other Revenues	94,782	84,334
Total Revenues	2,810,650	2,533,938
Expenses		
Administrative	542,233	527,727
Tenant Services	212	12
Utilities	320,699	304,667
Maintenance	551,684	500,872
General Expenses	138,842	114,820
Housing Assistance Payments	829,512	746,986
Depreciation	773,429	760,114
Total Expenses	3,156,611	2,955,198
Net Increases (Decreases)	$ (345,961)	$ (421,260)

Total revenues increased $276,712 during 2008 in comparison to 2007, due to the increase in the Capital Fund grants. In addition, Investment Income decreased during the year due to lower interest rates and decreased cash balance on hand during the year.

Total expenses increased in comparison to 2007. The $201,413 increase in total expenses was mainly due to increases in both administrative and maintenance salaries and benefits, and utilities and maintenance operations. Increased benefit costs were a major reason for higher administrative and maintenance costs.

Capital Assets

As of year-end, the Authority had $7,600,189 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (current purchases less depreciation) of $299,561 or 4 percent from the end of last year.

Table 4 - Condensed Statement of Changes in Capital Assets

	2008	2007
Land	$ 727,075	$ 727,075
Buildings	21,098,699	20,464,025
Equipment	813,517	820,612
Construction in Progress	652,610	227,639
Accumulated Depreciation	(15,691,712)	(14,938,723)
Total	$ 7,600,189	$ 7,300,628

Table 5 - Changes in Capital Assets

Beginning Balance - December 31, 2007	$ 7,300,628
Current Year Additions	1,072,990
Current Year Depreciation Expense	(773,429)
Ending Balance - December 31, 2008	$ 7,600,189

Table 6 - Current Year Breakout of Additions to Assets

Scranton Woods Water Treatment Plant	$ 503,213
Vehicle	13,346
Dwelling Structures - CFP	556,431
Total	$ 1,072,990

Debt

The Authority had no debt at December 31, 2008.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the U.S. 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 Nancy Sadler, 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, 2008

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 1,130,702
Restricted Cash and Cash Equivalents	89,685
Receivables, Net	10,177
Inventories, Net	15,034
Prepaid Expenses and Other Assets	49,710
Total Current Assets	1,295,308
Noncurrent Assets	
Non-depreciable Capital Assets	1,379,685
Depreciable Capital Assets	6,220,504
Total Noncurrent Assets	7,600,189
TOTAL ASSETS	$ 8,895,497
LIABILITIES AND NET ASSETS	
Liabilities	
Current Liabilities	
Accounts Payable	$ 49,659
Accrued Liabilities	49,114
Intergovernmental Payables	33,432
Tenant Security Deposits	58,039
Other Current Liabilities	12,879
Total Current Liabilities	203,123
Noncurrent Liabilities	
Accrued Compensated Liabilities	102,824
Total Noncurrent Liabilities	102,824
Total Liabilities	305,947
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,600,189
Restricted Net Assets	31,646
Unrestricted Net Assets	957,715
Total Net Assets	8,589,550
TOTAL LIABILITIES AND NET ASSETS	$ 8,895,497

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, 2008

Operating Revenues	
Tenant Revenues	$ 655,024
Government Operating Grants	1,466,700
Other Revenues	94,782
Total Operating Revenues	2,216,506
Operating Expenses	
Administrative	542,233
Tenant Services	212
Utilities	320,699
Maintenance	551,684
General	138,842
Housing Assistance Payments	829,512
Depreciation	773,429
Total Operating Expenses	3,156,611
Operating Income (Loss)	(940,105)
Non-Operating Revenues	
Interest and Investment Revenue	34,213
Gain on Disposal of Assets	3,500
Total Non-Operating Revenues	37,713
Income (Loss) Before Contributions and Transfers	(902,392)
Capital Grants	556,431
Change in Net Assets	(345,961)
Total Net Assets at Beginning of Year	8,935,511
Total Net Assets at End of Year	$ 8,589,550

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, 2008

Cash Flows from Operating Activities	
Operating Grants Received	$ 1,466,700
Tenant Revenue Received	660,455
Other Revenue Received	89,826
General and Administrative Expenses Paid	(1,549,603)
Housing Assistance Payments	(829,512)
Net Cash Provided (Used) by Operating Activities	(162,134)
Cash Flows from Investing Activities	
Interest Earned	34,213
Net Cash Provided (Used) by Investing Activities	34,213
Cash Flows from Capital and Related Activities	
Capital Grant Funds Received	556,431
Proceeds from Trade-in of Vehicle	3,500
Property and Equipment Purchased	(1,072,990)
Net Cash Provided (Used) by Capital and Related Activities	(513,059)
Net Increase (Decrease) in Cash	(640,980)
Cash and Cash Equivalents at Beginning of Year	1,861,367
Cash and Cash Equivalents at End of Year	$ 1,220,387
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income (Loss)	$ (940,105)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	773,429
(Increase) Decrease in:	
Accounts Receivable	5,182
Prepaid Assets	(2,383)
Increase (Decrease) in:	
Inventory	3,599
Accounts Payable	20,109
Intergovernmental Payable	(885)
Accrued Compensated Absences	(20,872)
Accrued Expenses Payable	5,130
Tenant Security Deposits	(2,665)
Other Liabilities	(2,673)
Net Cash Provided by Operating Activities	$ (162,134)

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

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 U. S. 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.

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.

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, 2008 totaled $34,213.

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 years
Building 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.

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

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

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 budget 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 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.

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, 2008, the carrying amount of the Authority's deposits totaled $1,220,387, and its bank balance was $1,283,877. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2008, $770,610 was exposed to custodial risk as discussed below, while $513,267 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.

NOTE 3: RESTRICTED CASH

The restricted cash balance of $89,685 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	$ 31,646
Tenant Security deposits in the Low Rent Public Housing Program	58,039
Total Restricted Cash	$ 89,685

NOTE 4: CAPITAL ASSETS

The following is a summary of changes:

	Balance 12/31/07	Adjustments	Additions	Deletions	Balance 12/31/08
Capital Assets Not Being Depreciated:					
Land	$ 727,075	$ 0	$ 0	$ 0	$ 727,075
Construction-in-Progress	227,639	(131,460)	556,431	0	652,610
Total Capital Assets Not Being Depreciated	954,714	(131,460)	556,431	0	1,379,685
Capital Assets Being Depreciated:					
Buildings	20,464,025	131,460	503,214	0	21,098,699
Furniture, Machinery, and Equipment	820,612	0	13,345	(20,440)	813,517
Total Capital Assets Being Depreciated	21,284,637	131,460	516,559	(20,440)	21,912,216
Accumulated Depreciation:					
Buildings	(14,160,378)	0	(757,592)	0	(14,917,970)
Furniture, Machinery, and Equipment	(778,345)	0	(15,837)	20,440	(773,742)
Total Accumulated Depreciation	(14,938,723)	0	(773,429)	20,440	(15,691,712)
Total Capital Assets Being Depreciated, Net	6,345,914	131,460	(256,870)	0	6,220,504
Total Capital Assets, Net	$ 7,300,628	$ 0	$ 299,561	$ 0	$ 7,600,189

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

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 2008, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10.00 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14.00 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2008, 2007, and 2006, were $78,499, $70,935, and $64,567, respectively. The full amount has been contributed for 2008, 2007, and 2006.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System
The Ohio Public Employees Retirement System (OPERS) provides post-employment 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 plans; 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-employment health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2008 employer rate was 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for State and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 7.00 percent from July 1 through December 31, 2008. 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.

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

Ohio Public Employees Retirement System (Continued)
Benefits are advance-funded using the entry age normal actuarial cost method. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2007. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actual gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2007 was 6.5 percent. An annual increase of 4.00 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00 percent base increase, were assumed to range from 0.50 percent to 6.30 percent. Health care costs were assumed to increase at a projected wage inflation rate plus an additional factor ranging from .50 percent to 4.00 percent for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase at 4.00 percent (the projected inflation rate).

As of December 31, 2008, the number of active contributing participants in the Traditional Pension and Combined plans totaled 363,503. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for OPEB at December 31, 2007 was $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.8 billion and $17.0 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.

NOTE 7: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During fiscal year ending December 31, 2008, 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.

NOTE 8: COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws.

All permanent employees will earn 10 hours sick leave per month of service. Unused sick leave may be accumulated without limit. At the time of separation, employees receive payment for a maximum of 120 days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. Vacation time earned can be accumulated and is payable to the employee upon separation.

At December 31, 2008, the current portion is $29,556 and the long term portion is $102,824.

The following is a summary of changes in compensated absences for the year ended December 31, 2008:

Balance 12/31/07	Additions	Deletions	Balance 12/31/08	Due Within One Year
$ 153,252	$ 12,485	$ 33,457	$ 132,380	$ 29,556

NOTE 9: NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public Housing Programs		
Low Rent Public Housing Program	14.850	$ 595,810
Housing Choice Voucher	14.871	829,199
Public Housing Capital Fund Program	14.872	598,122
Total Public Housing Programs		2,023,131
Total U.S. Department of Housing and Urban Development		2,023,131
Total Federal Awards		$ 2,023,131

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*

Board of Directors
Geauga Metropolitan Housing Authority
Chardon, Ohio

Regional Inspector General for Audit
Department of Housing and Urban Development

We have audited the financial statements of the Geauga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2008, and have issued our report thereon dated May 29, 2009. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures 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 Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Geauga Metropolitan Housing Authority, Ohio'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 Geauga Metropolitan Housing Authority, Ohio'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 Geauga Metropolitan Housing Authority, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Geauga Metropolitan Housing Authority, Ohio'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 Geauga Metropolitan Housing Authority, Ohio's internal control.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

James G. Zupka, CPA, Inc.

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

May 29, 2009

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

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

Board of Directors
Geauga Metropolitan Housing Authority
Chardon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance

We 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 its major federal program for the year ended December 31, 2008. The Geauga 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Geauga Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Geauga Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, the Geauga Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance
The management of the 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 our audit, we considered the Geauga Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Geauga Metropolitan Housing Authority, Ohio's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

May 29, 2009

GEAUGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2008

1. SUMMARY OF AUDITOR'S RESULTS

2008(i)	Type of Financial Statement Opinion	Unqualified
2008(ii)	Were there any material control weaknesses reported at the financial statement level? (GAGAS)?	No
2008(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2008(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2008(iv)	Were there any material internal control weaknesses reported for major Federal programs?	No
2008(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2008(v)	Type of Major Programs' Compliance Opinion	Unqualified
2008(vi)	Are there any reportable findings under .510?	No
2008(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA #14.871	
2008(viii)	Dollar Threshold: Type A\B Programs	Type A: >$300,000 Type B: all others
2008(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

The prior audit report, as of December 31, 2007, included no citations or management letter comments.

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
JULY 21, 2009

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