

**GEAUGA METROPOLITAN  
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**

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





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Geauga Metropolitan Housing Authority, Geauga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2013 through December 31, 2013. 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 "Dave Yost".

Dave Yost  
Auditor of State

June 23, 2014

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**GEAUGA METROPOLITAN HOUSING AUTHORITY  
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Geauga Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Geauga Metropolitan Housing Authority, as of December 31, 2013, and the respective changes in financial position, and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Geauga Metropolitan Housing Authority, Ohio's basic financial statements. The Statement of Modernization Costs - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

James G. Zupka, CPA, President  
Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James  
G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@siglobal.net, c=US  
Date: 2014.06.17 10:34:45 -0400

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

May 30, 2014

**GEOUGA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)**

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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, 2013. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements.

**FINANCIAL HIGHLIGHTS**

- The Authority’s net position decreased by \$98,584, during 2013, 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 position. Net position was \$7,072,790 and \$7,171,374 for 2013 and 2012, respectively.
- The Authority’s cash balance at December 31, 2013 was \$1,588,383, representing an increase of \$211,169 from December 31, 2012.
- Revenues increased by \$204,058, or 8 percent, during 2013 and were \$2,625,641 and \$2,421,583 for 2013 and 2012, respectively.
- The total expenses of all the Authority’s programs decreased by \$179,785, or 6 percent. Total expenses were \$2,724,225 and \$2,904,010 for 2013 and 2012, 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 Position*, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The Statement is presented in the format where assets minus liabilities equal “Net Position”, formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as “Current” (convertible into cash within one year) and “Non-current”.

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

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

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)**

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Unrestricted Net Position: Consists of Net Position that does not meet the definition of “Net Investment in Capital Assets”, or “Restricted Net Position”.

The Authority’s financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (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 Position is the “Change in Net Position”, 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.

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)**

**THE AUTHORITY'S STATEMENTS**

**Statement of Net Position**

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

**Table 1 - Condensed Statement of Net Position Compared to Prior Year**

	2013	2012
<b><u>Assets</u></b>		
Current and Other Assets	\$ 1,640,620	\$ 1,421,209
Capital Assets	5,969,160	6,182,333
<b>Total Assets</b>	<b><u>\$ 7,609,780</u></b>	<b><u>\$ 7,603,542</u></b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 293,366	\$ 204,909
Noncurrent Liabilities	243,624	227,259
<b>Total Liabilities</b>	<b><u>536,990</u></b>	<b><u>432,168</u></b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	5,947,599	6,156,027
Restricted	25,524	62,870
Unrestricted	1,099,667	952,477
<b>Total Net Position</b>	<b><u>7,072,790</u></b>	<b><u>7,171,374</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 7,609,780</u></b>	<b><u>\$ 7,603,542</u></b>

For more detail information, see Statement of Net Position presented on page 10.

**Major Factors Affecting the Statement of Net Position**

During 2013, Current and Other Assets increased by \$219,411 and Current Liabilities increased by \$88,457. The Current and Other Assets, primarily cash, increased due to the result of operation. The increase in Current Liabilities is mainly due to the increase in accounts payable, intergovernmental payable and accrued liabilities at year end.

Capital Assets also changed, decreasing from \$6,182,333 to \$5,969,160. The \$213,173 decrease may be contributed primarily to a combination of net acquisitions of \$236,140, less current year depreciation of \$449,313. For more detail see "Capital Assets".

**Change in Unrestricted Net Position**

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)**

**Table 2- Changes of Unrestricted Net Position**

Beginning Balance - December 31, 2012	\$ 952,477
Results of Operations	(98,584)
Adjustments:	
Current Year Depreciation Expense (1)	449,313
Capital Expenditures (2)	(236,140)
Transfer from Restricted Net Position	32,601
<b>Ending Balance - December 31, 2013</b>	<b><u>\$1,099,667</u></b>

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

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

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

**Statement of Revenues, Expenses, and Changes in Net Position**

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 Position**

	2013	2012
<b><u>Revenues</u></b>		
Total Tenant Revenues	\$ 688,312	\$ 651,763
Operating Subsidies	1,624,526	1,528,093
Capital Grants	236,141	144,907
Investment Income	623	243
Other Revenues	76,039	96,577
<b>Total Revenues</b>	<b><u>2,625,641</u></b>	<b><u>2,421,583</u></b>
<b><u>Expenses</u></b>		
Administrative	468,706	533,436
Tenant Services	106,483	127,008
Utilities	271,256	285,962
Maintenance	482,730	454,953
General Expenses	113,156	172,089
Housing Assistance Payments	832,581	811,603
Depreciation	449,313	518,959
<b>Total Expenses</b>	<b><u>2,724,225</u></b>	<b><u>2,904,010</u></b>
Net Increase (Decrease)	<b><u>\$ (98,584)</u></b>	<b><u>\$ (482,427)</u></b>

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)**

Total revenues increased \$204,058 during 2013 in comparison to 2012. Total revenue increased due to the additional HUD Operating and Capital Fund Grants received.

Total expenses decreased in comparison to 2012. Total expense decrease of \$179,785 was mainly due to decreases in administrative, depreciation and general expenses.

**Capital Assets**

As of year-end, the Authority had \$5,969,160 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (current purchases less depreciation) of \$213,173 or 3 percent from the end of last year.

**Table 4 - Condensed Statement of Changes in Capital Assets**

	2013	2012
Land	\$ 727,075	\$ 727,075
Buildings	23,051,903	22,882,053
Equipment	953,843	912,802
Construction in Progress	6,776	0
Accumulated Depreciation	(18,770,437)	(18,339,597)
<b>Total</b>	<b><u>\$ 5,969,160</u></b>	<b><u>\$ 6,182,333</u></b>

**Table 5 - Changes in Capital Assets**

Beginning Balance - December 31, 2012	\$ 6,182,333
Current Year Additions	236,140
Current Year Depreciation Expense	(449,313)
<b>Ending Balance - December 31, 2013</b>	<b><u>\$ 5,969,160</u></b>

**Table 6 - Current Year Breakout of Additions to Assets**

Leasehold Improvements	\$ 195,100
Furniture, Machinery and Equipment	41,040
<b>Total</b>	<b><u>\$ 236,140</u></b>

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)**

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**Debt**

In 2012, the Authority entered into 2 capital lease agreements with the Lease Corporation of America (LCA) in the amount of \$28,148 bearing interest at 10.20 percent. The leases are payable in monthly installments of \$300.54 each, including interest, and is collateralized by the equipment.

**Table 7 - Condensed Statement of Changes in Debt Outstanding**

	2013	2012
Current Portion of Long Term Debt	\$ 5,255	\$ 4,746
Long Term Portion of Debt	16,306	21,560
<b>Total</b>	<b>\$ 21,561</b>	<b>\$ 26,306</b>

Additional information on the Authority's long-term debt can be located in the footnotes of this report.

**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. It is projected that 2014 grant revenue from HUD will be 70 percent - 80 percent of expense level.
- 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 Neva Rodgers, 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 POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31, 2013**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 1,429,227
Restricted Cash and Cash Equivalents	159,156
Receivables, Net	7,852
Inventories, Net	8,020
Prepaid Expenses and Other Assets	<u>36,365</u>
<b>Total Current Assets</b>	<b><u>1,640,620</u></b>

**Noncurrent Assets**

Capital Assets:	
Non-Depreciable Capital Assets	733,851
Depreciable Capital Assets, Net	<u>5,235,309</u>
<b>Total Noncurrent Assets</b>	<b><u>5,969,160</u></b>

**TOTAL ASSETS** **\$ 7,609,780**

**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$ 45,141
Accrued Liabilities	75,506
Intergovernmental Payables	101,785
Tenant Security Deposits	65,636
Current Portion of Long-Term Debt	5,255
Unearned Revenue	<u>43</u>
<b>Total Current Liabilities</b>	<b><u>293,366</u></b>

**Noncurrent Liabilities**

Accrued Compensated Absences Non-Current	152,879
Long-term debt, Net of Current	16,306
Other Non-Current Liabilities	<u>74,439</u>
<b>Total Noncurrent Liabilities</b>	<b><u>243,624</u></b>
<b>Total Liabilities</b>	<b><u>536,990</u></b>

**NET POSITION**

Net Investment in Capital Assets	5,947,599
Restricted	25,524
Unrestricted	<u>1,099,667</u>
<b>Total Net Position</b>	<b><u>7,072,790</u></b>

**TOTAL LIABILITIES AND NET POSITION** **\$ 7,609,780**

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 POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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**Operating Revenues**

Tenant Revenues	\$ 688,312
Government Operating Grants	1,624,526
Other Revenues	76,039
<b>Total Operating Revenues</b>	<b><u>2,388,877</u></b>

**Operating Expenses**

Administrative	468,706
Tenant Services	106,483
Utilities	271,256
Maintenance	482,730
General	110,690
Housing Assistance Payments	832,581
Depreciation	449,313
<b>Total Operating Expenses</b>	<b><u>2,721,759</u></b>
Operating Income (Loss)	<u>(332,882)</u>

**Non-Operating Revenues**

Interest and Investment Revenue	623
Interest Expense	(2,466)
<b>Total Non-Operating Revenues</b>	<b><u>(1,843)</u></b>
Income (Loss) Before Contributions and Transfers	<u>(334,725)</u>

Capital Grants	236,141
Change in Net Position	(98,584)

Total Net Position at Beginning of Year	<u>7,171,374</u>
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<b>Total Net Position at End of Year</b>	<b><u>\$ 7,072,790</u></b>
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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, 2013**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from Federal Operating Grants	\$ 1,624,526
Cash Received From Tenants	679,818
Cash Payments for Administrative Expenses	(451,123)
Cash Payments for Other Operating	(888,368)
Cash Payments for Housing Assistance	(832,581)
Cash Received - Other	92,793
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>225,065</u></b>
 <b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Capital Grants	228,832
Capital Lease Payments	(4,745)
Property and Equipment Purchased	(236,140)
Interest Paid	(2,466)
<b>Net Cash Provided by Capital and Other Related Financing Activities</b>	<b><u>(14,519)</u></b>
 <b><u>Cash Flows from Investing Activities</u></b>	
Interest and Investment Income Received	623
<b>Net Cash Provided by Investing Activities</b>	<b><u>623</u></b>
 Net Increase (Decrease) in Cash and Cash Equivalents	 211,169
 Cash and Cash Equivalents at Beginning of Year	 <u>1,377,214</u>
 <b>Cash and Cash Equivalents at End of Year</b>	 <b><u>\$ 1,588,383</u></b>
 <b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u></b>	
Net Operating Income (Loss)	\$ (332,882)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	449,313
(Increase) Decrease in:	
Accounts Receivable	3,145
Prepaid Expenses	(4,884)
Inventory	806
Increase (Decrease) in:	
Accounts Payable	19,568
Intergovernmental Payable	67,301
Accrued Compensated Absences	6,081
Tenant Security Deposits	(1,725)
Accrued Wages and Payroll Taxes	11,502
Non-Current Liabilities	16,754
Unearned Revenue	(9,914)
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 225,065</u></b>

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, 2013**

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**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*, as amended by GASB Statement No. 39 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, 2013**  
**(CONTINUED)**

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

**Reporting Entity** (Continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government **a)** is entitled to the organization's resources; **b)** is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or **c)** is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

**Basis of Presentation**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance, Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

The Authority's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

**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.

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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

**Proprietary Fund Types**

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

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

**Description of Programs**

The 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, 2013 totaled \$623.

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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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 \$1,500 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 Position**

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

**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.

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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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 payments 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.

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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**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, 2013, the carrying amount of the Authority's deposits totaled \$1,588,383, and its bank balance was \$1,590,729. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2013, \$1,090,729 was exposed to custodial risk as discussed below, while \$500,000 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, 2013**  
**(CONTINUED)**

**NOTE 3: RESTRICTED CASH**

The restricted cash balance of \$159,156 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$ 25,524
Tenant Security deposits in the Low Rent Public Housing Program	65,636
FSS Escrow Liability - PH	38,050
FSS Escrow Liability - HCV	29,946
<b>Total Restricted Cash</b>	<b><u>\$ 159,156</u></b>

**NOTE 4: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year:

	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
<b><i>Capital Assets Not Being Depreciated:</i></b>				
Land	\$ 727,075	\$ 0	\$ 0	\$ 727,075
Construction in Progress	<u>0</u>	<u>6,776</u>	<u>0</u>	<u>6,776</u>
<b><i>Total Capital Assets Not Being Depreciated</i></b>	<u>727,075</u>	<u>6,776</u>	<u>0</u>	<u>733,851</u>
<b><i>Capital Assets Being Depreciated:</i></b>				
Buildings	22,882,053	188,323	(18,473)	23,051,903
Furniture, Machinery, and Equipment	<u>912,802</u>	<u>41,041</u>	<u>0</u>	<u>953,843</u>
<b><i>Total Capital Assets Being Depreciated</i></b>	<u>23,794,855</u>	<u>229,364</u>	<u>(18,473)</u>	<u>24,005,746</u>
<b><i>Accumulated Depreciation:</i></b>				
Buildings	(17,512,853)	(414,923)	18,473	(17,909,303)
Furniture, Machinery, and Equipment	<u>(826,744)</u>	<u>(34,390)</u>	<u>0</u>	<u>(861,134)</u>
<b><i>Total Accumulated Depreciation</i></b>	<u>(18,339,597)</u>	<u>(449,313)</u>	<u>18,473</u>	<u>(18,770,437)</u>
<b><i>Total Capital Assets Being Depreciated, Net</i></b>	<u>5,455,258</u>	<u>(219,949)</u>	<u>0</u>	<u>5,235,309</u>
<b>Total Capital Assets, Net</b>	<u>\$ 6,182,333</u>	<u>\$ (213,173)</u>	<u>\$ 0</u>	<u>\$ 5,969,160</u>

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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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). 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/investments/cafr.shtml](http://www.opers.org/investments/cafr.shtml)

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(CONTINUED)**

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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 2013, 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, 2013, 2012, and 2011, were \$84,911, \$85,131, and \$84,436, respectively. The full amount has been contributed for 2013, 2012, and 2011.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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

A. **Plan Description** (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

B. **Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employers units. Active members do not make contributions to the OPEB Plan.

OPER's Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Board of Trustees determines that portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent for calendar year 2013. Effective January 1, 2014, the portion of the employer contributions allocated to health care was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended December 31, 2013, 2012 and 2011, which were used to fund post-employment benefits were \$6,065, \$24,323 and \$24,124, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(CONTINUED)**

**NOTE 7: COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences for the year ended December 31, 2013:

<u>Description</u>	<u>Balance</u> <u>12/31/2012</u>	<u>Earned</u>	<u>Used</u>	<u>Balance</u> <u>12/31/2013</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 185,018	\$ 20,427	\$ 14,346	\$ 191,099	\$ 38,220

**NOTE 8: LONG-TERM DEBT**

In 2012, the Authority entered into two capital lease agreements with the Lease Corporation of America (LCA) in the amount of \$28,148 bearing interest at 10.20 percent. The leases are payable in monthly installments of \$300.54 each, including interest, and is collateralized by the equipment. The first payment was made on August 1, 2012. The agreement is for 72 months.

<u>Description</u>	<u>Balance</u> <u>12/31/2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/2013</u>	<u>Due Within</u> <u>One Year</u>
Capital Lease	\$ 26,306	\$ 0	\$ 4,745	\$ 21,561	\$ 5,255

Debt maturities for the next six years are estimated as follows:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 5,255	\$ 1,958
2015	5,817	1,396
2016	6,439	774
2017	4,050	138
<b>Totals</b>	<u>\$ 21,561</u>	<u>\$ 4,266</u>

**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**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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NOTE 10: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During fiscal year ending December 31, 2013, the Authority maintained comprehensive insurance coverage with private carriers for health, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

NOTE 11: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

For 2013, the Authority has implemented GASB No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1981 FASB and AICPA Pronouncements*.

The objective of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, is to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012 and have been implemented by the Authority.

The objective of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and the implementation of this statement did not result in any change in the Authority's financial statements.

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF MODERNIZATION COST - COMPLETED  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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1. The total amount of modernization costs of the Capital Fund Housing Program grants are shown below:

OH12P042501-11 Project OH

Funds Approved	\$ 279,991
Funds Expended	<u>279,991</u>
Excess of Funds Approved	<u>\$ 0</u>

Funds Advanced	\$ 279,991
Funds Expended	<u>279,991</u>
Excess of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**ENTITY WIDE BALANCE SHEET SUMMARY**  
**DECEMBER 31, 2013**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	1,353,759		75,468	1,429,227		1,429,227
113 Cash - Other Restricted	38,050		55,470	93,520		93,520
114 Cash - Tenant Security Deposits	65,636			65,636		65,636
<b>100 Total Cash</b>	<b>1,457,445</b>	<b>-</b>	<b>130,938</b>	<b>1,588,383</b>	<b>-</b>	<b>1,588,383</b>
122 Accounts Receivable - HUD Other Projects	7,309			7,309		7,309
126 Accounts Receivable - Tenants	922			922		922
126.1 Allowance for Doubtful Accounts - Tenants	-379			-379		-379
<b>120 Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>7,852</b>	<b>-</b>	<b>-</b>	<b>7,852</b>	<b>-</b>	<b>7,852</b>
142 Prepaid Expenses and Other Assets	36,365			36,365		36,365
143 Inventories	8,020			8,020		8,020
<b>150 Total Current Assets</b>	<b>1,509,682</b>	<b>-</b>	<b>130,938</b>	<b>1,640,620</b>	<b>-</b>	<b>1,640,620</b>
161 Land	727,075			727,075		727,075
162 Buildings	23,051,903			23,051,903		23,051,903
163 Furniture, Equipment & Machinery - Dwellings	462,012			462,012		462,012
164 Furniture, Equipment & Machinery - Administration	488,356		3,475	491,831		491,831
166 Accumulated Depreciation	-18,766,962		-3,475	-18,770,437		-18,770,437
167 Construction in Progress	6,776			6,776		6,776
<b>160 Total Capital Assets, Net of Accumulated Depreciation</b>	<b>5,969,160</b>	<b>-</b>	<b>-</b>	<b>5,969,160</b>	<b>-</b>	<b>5,969,160</b>
<b>180 Total Non-Current Assets</b>	<b>5,969,160</b>	<b>-</b>	<b>-</b>	<b>5,969,160</b>	<b>-</b>	<b>5,969,160</b>
<b>190 Total Assets</b>	<b>7,478,842</b>	<b>-</b>	<b>130,938</b>	<b>7,609,780</b>	<b>-</b>	<b>7,609,780</b>
200 Deferred Outflow of Resources				-		-
<b>290 Total Assets and Deferred Outflow of Resources</b>	<b>7,478,842</b>	<b>-</b>	<b>130,938</b>	<b>7,609,780</b>	<b>-</b>	<b>7,609,780</b>

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
ENTITY WIDE BALANCE SHEET SUMMARY  
DECEMBER 31, 2013**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
312 Accounts Payable ≤90 Days	42,978			42,978		42,978
313 Accounts Payable >90 Days Past Due			2,163	2,163		2,163
321 Accrued Wage/Payroll Taxes Payable	37,286			37,286		37,286
322 Accrued Compensated Absences - Current Portion	36,173		2,047	38,220		38,220
331 Accounts Payable - HUD PHA Programs	63,851			63,851		63,851
333 Accounts Payable - Other Government	37,934			37,934		37,934
341 Tenant Security Deposits	65,636			65,636		65,636
342 Deferred Revenues	43			43		43
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	5,255			5,255		5,255
<b>310 Total Current Liabilities</b>	<b>289,156</b>	<b>-</b>	<b>4,210</b>	<b>293,366</b>	<b>-</b>	<b>293,366</b>
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	16,306			16,306		16,306
353 Non-current Liabilities - Other	44,493		29,946	74,439		74,439
354 Accrued Compensated Absences - Non Current	144,692		8,187	152,879		152,879
<b>350 Total Non-Current Liabilities</b>	<b>205,491</b>	<b>-</b>	<b>38,133</b>	<b>243,624</b>	<b>-</b>	<b>243,624</b>
<b>300 Total Liabilities</b>	<b>494,647</b>	<b>-</b>	<b>42,343</b>	<b>536,990</b>	<b>-</b>	<b>536,990</b>
400 Deferred Inflow of Resources				-		-
508.4 Net Investment in Capital Assets	5,947,599			5,947,599		5,947,599
511.4 Restricted Net Position			25,524	25,524		25,524
512.4 Unrestricted Net Position	1,036,596	-	63,071	1,099,667		1,099,667
<b>513 Total Equity - Net Assets / Position</b>	<b>6,984,195</b>	<b>-</b>	<b>88,595</b>	<b>7,072,790</b>	<b>-</b>	<b>7,072,790</b>
<b>600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position</b>	<b>7,478,842</b>	<b>-</b>	<b>130,938</b>	<b>7,609,780</b>	<b>-</b>	<b>7,609,780</b>

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	671,838			671,838		671,838
70400 Tenant Revenue - Other	16,474			16,474		16,474
<b>70500 Total Tenant Revenue</b>	<b>688,312</b>	<b>-</b>	<b>-</b>	<b>688,312</b>	<b>-</b>	<b>688,312</b>
70600 HUD PHA Operating Grants	632,631	58,097	933,798	1,624,526		1,624,526
70610 Capital Grants	236,141			236,141		236,141
71100 Investment Income - Unrestricted	623			623		623
71400 Fraud Recovery	6,185		2,964	9,149		9,149
71500 Other Revenue	57,721		9,169	66,890		66,890
<b>70000 Total Revenue</b>	<b>1,621,613</b>	<b>58,097</b>	<b>945,931</b>	<b>2,625,641</b>	<b>-</b>	<b>2,625,641</b>
91100 Administrative Salaries	229,369		41,007	270,376		270,376
91200 Auditing Fees	7,288		1,781	9,069		9,069
91500 Employee Benefit contributions - Administrative	106,489		24,636	131,125		131,125
91600 Office Expenses	15,992			15,992		15,992
91700 Legal Expense	4,732		140	4,872		4,872
91900 Other	28,447		8,825	37,272		37,272
<b>91000 Total Operating - Administrative</b>	<b>392,317</b>	<b>-</b>	<b>76,389</b>	<b>468,706</b>	<b>-</b>	<b>468,706</b>
92100 Tenant Services - Salaries		43,037	36,846	79,883		79,883
92300 Employee Benefit Contributions - Tenant Services		15,060	6,714	21,774		21,774
92400 Tenant Services - Other	4,576		250	4,826		4,826
<b>92500 Total Tenant Services</b>	<b>4,576</b>	<b>58,097</b>	<b>43,810</b>	<b>106,483</b>	<b>-</b>	<b>106,483</b>
93100 Water	65,317			65,317		65,317
93200 Electricity	74,068			74,068		74,068
93300 Gas	42,316			42,316		42,316
93600 Sewer	89,555			89,555		89,555
<b>93000 Total Utilities</b>	<b>271,256</b>	<b>-</b>	<b>-</b>	<b>271,256</b>	<b>-</b>	<b>271,256</b>
94100 Ordinary Maintenance and Operations - Labor	211,882			211,882		211,882
94200 Ordinary Maintenance and Operations - Materials and Other	78,156			78,156		78,156
94300 Ordinary Maintenance and Operations Contracts	92,298			92,298		92,298
94500 Employee Benefit Contributions - Ordinary Maintenance	100,394			100,394		100,394
<b>94000 Total Maintenance</b>	<b>482,730</b>	<b>-</b>	<b>-</b>	<b>482,730</b>	<b>-</b>	<b>482,730</b>

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
96110 Property Insurance	38,326			38,326		38,326
<b>96100 Total insurance Premiums</b>	<b>38,326</b>	<b>-</b>	<b>-</b>	<b>38,326</b>	<b>-</b>	<b>38,326</b>
96210 Compensated Absences	6,752		13,675	20,427		20,427
96300 Payments in Lieu of Taxes	37,934			37,934		37,934
96400 Bad debt - Tenant Rents	14,003			14,003		14,003
<b>96000 Total Other General Expenses</b>	<b>58,689</b>	<b>-</b>	<b>13,675</b>	<b>72,364</b>	<b>-</b>	<b>72,364</b>
96720 Interest on Notes Payable (Short and Long Term)	2,466			2,466		2,466
<b>96700 Total Interest Expense and Amortization Cost</b>	<b>2,466</b>	<b>-</b>	<b>-</b>	<b>2,466</b>	<b>-</b>	<b>2,466</b>
<b>96900 Total Operating Expenses</b>	<b>1,250,360</b>	<b>58,097</b>	<b>133,874</b>	<b>1,442,331</b>	<b>-</b>	<b>1,442,331</b>
<b>97000 Excess of Operating Revenue over Operating Expenses</b>	<b>371,253</b>	<b>-</b>	<b>812,057</b>	<b>1,183,310</b>	<b>-</b>	<b>1,183,310</b>
97300 Housing Assistance Payments			825,571	825,571		825,571
97350 HAP Portability-In			7,010	7,010		7,010
97400 Depreciation Expense	449,313			449,313		449,313
<b>90000 Total Expenses</b>	<b>1,699,673</b>	<b>58,097</b>	<b>966,455</b>	<b>2,724,225</b>	<b>-</b>	<b>2,724,225</b>
10010 Operating Transfer In	59,456			59,456		59,456
10020 Operating transfer Out	-59,456			-59,456		-59,456
<b>10100 Total Other financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>-78,060</b>	<b>-</b>	<b>-20,524</b>	<b>-98,584</b>	<b>-</b>	<b>-98,584</b>
11020 Required Annual Debt Principal Payments	5,255	-	-	5,255		5,255
11030 Beginning Equity	7,062,255	-	109,119	7,171,374		7,171,374
11170 Administrative Fee Equity			63,071	63,071		63,071
11180 Housing Assistance Payments Equity			25,524	25,524		25,524
11190 Unit Months Available	2,904		2,052	4,956		4,956
11210 Number of Unit Months Leased	2,891		1,965	4,856		4,856

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
<b><u>Public Housing Programs</u></b>		
Low Rent Public Housing Program	14.850	\$ 568,552
Capital Fund Program	14.872	<u>300,220</u>
<b>Total Public Housing Programs</b>		<u>868,772</u>
<b><u>Section 8 Tenant Based Programs</u></b>		
Section 8 Housing Choice Voucher Program	14.871	<u>933,798</u>
<b>Total Section 8 Tenant Based Programs</b>		<u>933,798</u>
<b><u>Resident Opportunity and Support Services Program</u></b>		
Resident Opportunity and Support Services Program	14.870	<u>58,097</u>
<b>Total Resident Opportunity and Support Services Program</b>		<u>58,097</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>1,860,667</u>
<b>Total Federal Awards</b>		<u>\$ 1,860,667</u>

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

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

Board of Directors  
Geauga Metropolitan Housing Authority  
Chardon, Ohio

Regional Inspector General for Audit  
Department of Housing and Urban  
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Geauga Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka  
CPA, President

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.06.17 10:35:54 -0400

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

May 30, 2014

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
Geauga Metropolitan Housing Authority  
Chardon, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Report on Compliance for Each Major Federal Program**

We have audited the Geauga Metropolitan Housing Authority, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Geauga Metropolitan Housing Authority, Ohio's major federal program for the year ended December 31, 2013. The Geauga Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Geauga Metropolitan Housing Authority, Ohio's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Geauga Metropolitan Housing Authority, Ohio's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Geauga Metropolitan Housing Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2013.

### **Report on 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 the types of compliance requirements referred to above. In planning and performing our audit of the compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.06.17 10:36:24 -0400  
CPA, President

James G. Zupka CPA, Inc.  
Certified Public Accountants

May 30, 2014

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
DECEMBER 31, 2013**

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**1. SUMMARY OF AUDITOR’S RESULTS**

2013(i)	Type of Financial Statement Opinion	Unmodified
2013(ii)	Were there any material control weaknesses reported at the financial statement level? (GAGAS)?	No
2013(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2013(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2013(iv)	Were there any material internal control weaknesses reported for major Federal programs?	No
2013(iv)	Were there any significant deficiencies in internal control reported to major federal programs?	No
2013(v)	Type of Major Programs’ Compliance Opinion	Unmodified
2013(vi)	Are there any reportable findings under .510(a)?	No
2012(vii)	Major Programs (list):  Low Rent Public Housing - CFDA #14.850 Capital Fund Program - CFDA #14.872	
2012(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2012(ix)	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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The prior audit report, as of December 31, 2012, included no citations or management letter comments.

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# Dave Yost • 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 03, 2014**