

Geauga Metropolitan Housing Authority

Basic Financial Statements

For the Year Ended December 31, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Geauga Metropolitan Housing Authority
383 Center St.
Chardon, Ohio 44024

We have reviewed the Independent Auditor's Report of the Geauga Metropolitan Housing Authority, Geauga County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2004 to December 31, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 6, 2005

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GEAUGA METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

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Independent Auditors' Report

Board of Directors
Geauga Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying Basic Financial Statements of Geauga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, as listed in the table of contents. These Basic Financial Statements are the responsibility of the Geauga Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these Basic Financial Statements based on my audit.

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

In my opinion, the Basic Financial Statements referred to above present fairly, in all material respects, the financial position of Geauga Metropolitan Housing Authority, Ohio, as of December 31, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1 of the basic financial statements, the Authority adopted the provisions of Government Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of January 1, 2004. This results in a change to the Authority’s format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 8, 2005, on my consideration of Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

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

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



Salvatore Consiglio, CPA, Inc.

July 8, 2005

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

UNAUDITED

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement.

FINANCIAL HIGHLIGHTS

- The Authority's net assets decreased by \$210,084 (or 2 %) during 2004, resulting from change from Operations. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$10,101,965 and \$9,891,881 for 2003 and 2004 respectively.
- The Authority's cash balance at December 31, 2004 was \$725,980 representing an increase of \$88,800 from December 31, 2003.
- Revenues increased by \$250,653 (or 2.0%) during 2004, and were \$2,166,914 and \$2,417,567 for 2003 and 2004 respectively.
- The total expenses of all Authority programs decreased by \$110,259 (or 4%). Total expenses were \$2,734,605 and \$2,624,346 for 2003 and 2004 respectively.

USING THIS ANNUAL REPORT

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

| |
|----------------------------------------------------------------------------------|
| <p>MD&A ~Management's Discussion and Analysis – pgs 3-10~</p> |
|----------------------------------------------------------------------------------|

| |
|------------------------------------------------------------------------------------------|
| <p>Basic Financial Statement ~Authority Financial Statements – pgs 11-15~</p> |
|------------------------------------------------------------------------------------------|

| |
|-----------------------------------------------------------------------------------------------------------------------------------------|
| <p>Other Required Supplementary Information ~Required Supplementary Information pgs 27-30~ (other than the MD&A)</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------|

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

UNAUDITED

Authority Financial Statements

The Authority 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, equals "Net Assets", formerly know 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 represent the net available liquid (non-capital) assets, net of 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 or Debt", or "Restricted Net Assets".

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

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

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Fund Financial Statements

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

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

The Authority's Programs

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

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 and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

UNAUDITED

AUTHORITY STATEMENTS

Statement of Net Assets

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

TABLE 1

STATEMENT OF NET ASSETS

| | <u>2004</u> | RESTATED <u>2003</u> |
|---------------------------------------------------|---------------------------------|---------------------------------------|
| Current and Other Assets | \$ 1,399,942 | \$ 1,108,701 |
| Capital Assets | <u>8,959,550</u> | <u>9,243,076</u> |
| Total Assets | <u><u>\$ 10,359,492</u></u> | <u><u>\$ 10,351,777</u></u> |
| Current Liabilities | \$ 349,397 | \$ 209,823 |
| Long-Term Liabilities | <u>118,214</u> | <u>39,989</u> |
| Total Liabilities | <u>467,611</u> | <u>249,812</u> |
| Net Assets: | | |
| Investment in Capital Assets, net of Related Debt | 8,959,550 | 9,243,076 |
| Restricted Net Assets | - | - |
| Unrestricted Net Assets | <u>932,331</u> | <u>858,889</u> |
| Total Net Assets | <u>9,891,881</u> | <u>10,101,965</u> |
| Total Liabilities and Net Assets | <u><u>\$ 10,359,492</u></u> | <u><u>\$ 10,351,777</u></u> |

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

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

During 2004, current and other assets were increased by \$291,241, and total liabilities were increased by \$27,799. The current and other assets, primarily cash, increased due to year end payables not paid by December 31, 2004. This also explains the increase in current liabilities.

Capital assets also changed, decreasing from \$9,243,076 to \$8,959,550. The \$283,526 decrease may be contributed primarily to a combination of net acquisitions \$461,182, less current year depreciation and amortization \$744,708. For more detail see "Capital Assets" below.

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

Table 2 presents details on the change in Unrestricted Net Assets

| | |
|---------------------------------------|--------------------------|
| Beginning Balance - December 31, 2003 | \$ 858,889 |
| Results of Operation | (206,779) |
| Adjustments: | |
| Current year Depreciation Expense (1) | 744,708 |
| Capital Expenditure (2) | (461,182) |
| Prior Period Adjustment | <u>(3,305)</u> |
| Ending Balance - December 31, 2004 | \$ <u><u>932,331</u></u> |

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

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

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

UNAUDITED

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

| | <u>2004</u> | <u>2003</u> |
|----------------------------------|-----------------------------------|-----------------------------------|
| <u>Revenues</u> | | |
| Total Tenant Revenues | \$ 530,261 | \$ 536,247 |
| Operating Subsidies | 1,430,355 | 1,554,543 |
| Capital Grants | 401,077 | 44,632 |
| Investment Income | 22,320 | 31,492 |
| Other Revenues | 33,554 | - |
| | <u>2,417,567</u> | <u>2,166,914</u> |
| <u>Expenses</u> | | |
| Administrative | 432,707 | 455,202 |
| Utilities | 282,020 | 267,655 |
| Maintenance | 348,131 | 393,863 |
| General Expenses | 90,466 | 110,771 |
| Housing Assistance Payments | 726,314 | 763,007 |
| Depreciation | 744,708 | 744,107 |
| | <u>2,624,346</u> | <u>2,734,605</u> |
| Net Increases (Decreases) | \$ <u><u>(206,779)</u></u> | \$ <u><u>(567,691)</u></u> |

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

Tenant revenue decreased slightly during 2004 in comparison to 2003. Operating Subsidies and Capital Grants increased. Over all total revenue increased due to the change in capital grant funds earned during the year.

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

UNAUDITED

The expenses decreased due to Operating Expense decrease of \$110,259 of which a \$45,732 decrease in Maintenance Cost and a \$36,693 decrease in Housing Assistance Payments.

CAPITAL ASSETS

Capital Assets

As of year end, the Authority had \$8,959,550 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (current purchases less depreciation) of \$283,526 or 3% from the end of last year.

TABLE 4

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATON)**

| | <u>2004</u> | <u>2003</u> |
|--------------------------|-------------------------|-------------------------|
| Land | \$ 727,075 | \$ 727,075 |
| Buildings | 15,571,092 | 15,318,288 |
| Equipment | 842,980 | 820,074 |
| Leasehold Improvements | 4,360,377 | 4,360,377 |
| Construction in Progress | 185,472 | - |
| Accumulated Depreciation | <u>(12,727,446)</u> | <u>(11,982,738)</u> |
| Total | <u>\$ 8,959,550</u> | <u>\$ 9,243,076</u> |

The following reconciliation summarizes the change in Capital Assets, which presented in detail on page 22-23 of the notes.

GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

UNAUDITED

TABLE 5

**CHANGE IN CAPITAL ASSETS
(IN MILLIONS)**

| | |
|---------------------------------------|----------------------------|
| Beginning Balance - December 31, 2003 | \$ 9,243,076 |
| Current year Additions | 461,182 |
| Current year Depreciation Expense | <u>(744,708)</u> |
| Ending Balance - December 31, 2004 | \$ <u><u>8,959,550</u></u> |

As of year-end, the Authority had \$8,959,550 in Capital Assets. This included the \$185,472 for Construction in Progress for the Murray manor roof and \$252,804 for major additions to include the windows, doors and siding replacements at Cloverdale Estates.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
December 31, 2004

ASSETS

Current assets

| | |
|-----------------------------------|-------------------------|
| Cash and cash equivalents | \$810,897 |
| Investments | 358,961 |
| Receivables, net | 193,308 |
| Inventories, net | 22,463 |
| Prepaid expenses and other assets | 14,313 |
| Total current assets | <u>1,399,942</u> |

Noncurrent assets

| | |
|--------------------------------|-----------------------------------|
| Capital assets: | |
| Land | 727,075 |
| Building and equipment | 20,774,449 |
| Construction in Progress | 185,472 |
| Less accumulated depreciation | <u>(12,727,446)</u> |
| Total noncurrent assets | <u>8,959,550</u> |
| Total assets | <u><u>\$10,359,492</u></u> |

LIABILITIES

Current liabilities

| | |
|----------------------------------|-----------------------|
| Accounts payable | \$214,080 |
| Accrued liabilities | 12,010 |
| Intergovernmental payables | 67,317 |
| Tenant security deposits | 55,990 |
| Total current liabilities | <u>349,397</u> |

Noncurrent liabilities

| | |
|------------------------------------------|--------------------------------|
| Accrued compensated absences non-current | 77,750 |
| Noncurrent liabilities - other | 40,464 |
| Total noncurrent liabilities | <u>118,214</u> |
| Total liabilities | <u><u>\$467,611</u></u> |

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets (Continued)
Proprietary Funds
December 31, 2004

NET ASSETS

| | |
|-------------------------------------------------|-------------------------|
| Invested in capital assets, net of related debt | \$8,959,550 |
| Unrestricted net assets | 932,331 |
| Total net assets | <u>9,891,881</u> |

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

OPERATING REVENUES

| | |
|---------------------------------|-------------------------|
| Tenant Revenue | \$530,261 |
| Government operating grants | 1,430,355 |
| Other revenue | 33,554 |
| Total operating revenues | <u>1,994,170</u> |

OPERATING EXPENSES

| | |
|---------------------------------|-------------------------|
| Administrative | 432,707 |
| Utilities | 282,020 |
| Maintenance | 348,131 |
| General | 90,466 |
| Housing assistance payment | 726,314 |
| Depreciation | 744,708 |
| Total operating expenses | <u>2,624,346</u> |
| Operating income (loss) | <u>(630,176)</u> |

NONOPERATING REVENUES (EXPENSES)

| | |
|--------------------------------------------------|----------------------------------|
| Interest and investment revenue | <u>22,320</u> |
| Total nonoperating revenues (expenses) | <u>22,320</u> |
| Income (loss) before contributions and transfers | (607,856) |
| | |
| Capital grants | <u>401,077</u> |
| Change in net assets | (206,779) |
| Total net assets - beginning | 10,101,965 |
| Prior Period Adjustment | (3,305) |
| Total net assets - ending | <u><u>\$9,891,881</u></u> |

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|------------------------------------------|-------------|
| Operating grants received | \$1,286,919 |
| Tenant revenue received | 541,291 |
| Other revenue received | 33,554 |
| General and administrative expenses paid | (949,746) |
| Housing assistance payments | (726,314) |

Net cash provided (used) by operating activities **185,704**

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---------------------------|--------|
| Interest earned | 22,320 |
| Proceeds from Investments | 29,103 |

Net cash provided (used) by investing activities **51,423**

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

| | |
|----------------------------------|-----------|
| Capital grant funds received | 401,077 |
| Property and equipment purchased | (461,182) |

Net cash provided (used) by capital and related activities **(60,105)**

| | |
|-----------------------------------------------|---------|
| Net increase (decrease) in cash | 177,022 |
| Prior Period Adjustment Effecting Cash | (3,305) |
| Cash and cash equivalents - Beginning of year | 637,180 |

Cash and cash equivalents - End of year **\$810,897**

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2004

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | |
|-----------------------------------------------------------------|------------------|
| Net Operating Income (Loss) | (\$630,176) |
| Activities | |
| - Depreciation | 744,708 |
| - (Increases) Decreases in Accounts Receivable | (151,633) |
| - (Increases) Decreases in Prepaid Assets | 1,050 |
| - (Increases) Decreases in Inventory | 3,956 |
| - Increases (Decreases) in Accounts Payable | 182,252 |
| - Increases (Decreases) in Accounts Payable - Intergovernmental | 44,959 |
| - Increases (Decreases) in Accrued Expenses Payable | 793 |
| - Increases (Decreases) in Deferred Revenue | (16,619) |
| - Increases (Decreases) in Other Noncurrent Liabilities | 475 |
| - Increases (Decreases) in Accrued Compensated Absences | 9,990 |
| - Increases (Decreases) in Tenant Security Deposits | (4,051) |
| | (4,051) |
| Net cash provided by operating activities | \$185,704 |

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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.

In June 1999, GASB approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operation.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Authority has elected to implement GASB 34 in the current fiscal year.

Reporting Entity

The Geauga Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying Basic Financial Statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 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

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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.

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 single enterprise fund:

A. **Public Housing Program**

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fiscal year ending December 31, 2004 totaled \$22,320.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

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.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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 accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated 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. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

Budgetary Accounting

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

Estimates

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 2: CASH AND INVESTMENTS

Deposits – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the PHA or by its agent in the PHA’s name.

Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the PHA’s name.

Category 3 – Uncollateralized.

Deposits, categorized by level of risk, are:

| Description | Bank Balance | Category | | | Carrying Amount |
|--------------------------|--------------------|--------------------|------------|------------|--------------------|
| | | 1 | 2 | 3 | |
| Cash and Cash Equivalent | \$837,357 | \$837,357 | \$0 | \$0 | \$810,897 |
| Investments - CD | 358,961 | 358,961 | 0 | 0 | 358,961 |
| Total Deposits | \$1,196,318 | \$1,196,318 | \$0 | \$0 | \$1,169,858 |

Investments - HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

- Direct Obligations of the Federal Government;
- Obligations of Federal Government Agencies;
- Securities of Government-Sponsored Agencies; and
- Demand and Savings Deposits and Certificates of Deposit.

The PHA investments are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured, registered, or securities held by the PHA or its agent in the PHA's name.

Category 2 – Uninsured and unregistered, with securities held by the counterpart’s trust department or agent in the PHA’s name.

Category 3 – Uninsured and unregistered, with securities held by the counterpart, or its trust department or agent but not in the PHA’s name.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2: CASH AND INVESTMENTS (Continued)

The PHA's nonnegotiable certificates of deposit are classified as investments on the Financial Data Schedule but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

NOTE 3: 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, 2004 the Authority maintains 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 4: CAPITAL ASSETS

| | |
|-------------------------------------|----------------------------|
| Land | \$727,075 |
| Buildings | 15,571,092 |
| Furniture, Machinery, and Equipment | 842,980 |
| Leasehold Improvement | 4,360,377 |
| Construction in Progress | <u>185,472</u> |
| Total Capital Assets | 21,686,996 |
| Accumulated Depreciation | <u>(12,727,446)</u> |
| Net Capital Assets | <u>\$ 8,959,550</u> |

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 4: CAPITAL ASSETS (Continued)

The following is a summary of changes:

| | Balance 12/31/03 | Adjustment | Additions | Deletion | Balance 12/31/04 |
|-----------------------------|---------------------|-------------|------------------|-------------|---------------------|
| Land | \$727,075 | \$0 | \$0 | \$0 | \$727,075 |
| Building | 15,318,288 | 0 | 252,804 | 0 | 15,571,092 |
| Furniture & Equipment | 820,074 | 0 | 22,906 | 0 | 842,980 |
| Leasehold Improve. | 4,360,377 | 0 | 0 | 0 | 4,360,377 |
| Construction in Progress | 0 | 0 | 185,472 | 0 | 185,472 |
| Total Capital Assets | \$21,225,814 | \$ 0 | \$461,182 | \$ 0 | \$21,686,996 |

The depreciation expense for the year ended December 31, 2004 was \$744,708.

**NOTE 5: DEFINED BENEFIT PENSION PLANS -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 Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2004, 2003 and 2002 were \$55,414, \$53,426, and \$59,677, respectively. The full amount has been contributed for 2002 and 2003. Eighty-nine percent has been contributed for 2004, with the remainder being reported as a liability with the enterprise fund.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2004 was 5.0 percent of covered payroll, which amounted to \$20,448. 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, 2002. 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 (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. 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 2002 was 8.0 percent. An annual increase of 4.0 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 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2002 was \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

NOTE 7: CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year ended December 31, 2004 the Geauga Metropolitan Housing Authority implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 7: CHANGE IN ACCOUNTING PRINCIPLES (Continued)

Financial Statements for State and Local Governments: Omnibus; and GASB Statement No. 38, "Certain Financial Statement Note Disclosures.

GASB Statement No. 34 creates new basic financial statements for reporting on the GMHA's financial activities. The financial statements now include entity-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The entity-wide financial statements reflect only enterprise fund activities. The implementation of GASB 34 had no effect on the total enterprise fund equity. However, it did effect the classification of the equity.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues, and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures.

The table bellow shows the reclassification adjustment necessary.

| | Contributed Capital | Retained Earnings | Invested in Capital Assets, Net Of Debt | Restricted Net Assets | Unrestricted Net Assets | Total |
|------------------------------------------------|------------------------|----------------------|--------------------------------------------------|--------------------------|----------------------------|--------------|
| Beginning Balance | \$9,705,270 | \$396,695 | \$0 | \$0 | \$0 | \$10,101,965 |
| Reclassification- GASB 34 | (9,705,270) | (396,695) | 9,243,076 | 0 | 858,889 | 0 |
| Restated Beginning Balance | 0 | 0 | 9,243,076 | 0 | 858,889 | 10,101,965 |
| Capital assets Addition | 0 | 0 | 461,183 | 0 | 0 | 461,183 |
| Unrestricted Assets used for Capital Assets | 0 | 0 | 0 | 0 | (60,105) | (60,105) |
| Depreciation Expense | 0 | 0 | (744,708) | 0 | 0 | (744,708) |
| Current Year (Loss) | 0 | 0 | 0 | 0 | 136,852 | 136,852 |
| Prior Period Adjust. | 0 | 0 | 0 | 0 | (3,305) | (3,305) |
| Rounding Adjustment | 0 | 0 | (1) | 0 | 0 | (1) |
| Ending Net Assets | \$0 | \$0 | \$8,959,550 | \$0 | \$932,331 | \$9,891,881 |

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 8: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

Geauga Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

| Line Item No. | Account Description | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total |
|---------------|------------------------------------------------------------|-------------------------|-------------------------|-------------------------------------|----------------|
| 111 | Cash - Unrestricted | \$620,605 | \$105,375 | \$0 | \$725,980 |
| 114 | Cash - Tenant Security Deposits | \$84,917 | \$0 | \$0 | \$84,917 |
| 100 | Total Cash | \$705,522 | \$105,375 | \$0 | \$810,897 |
| 122 | Accounts Receivable - HUD Other Projects | \$0 | \$0 | \$186,957 | \$186,957 |
| 126 | Accounts Receivable - Tenants - Dwelling Rents | \$7,296 | \$0 | \$0 | \$7,296 |
| 126.1 | Allowance for Doubtful Accounts - Dwelling Rents | (\$945) | \$0 | \$0 | (\$945) |
| 126.2 | Allowance for Doubtful Accounts - Other | \$0 | \$0 | \$0 | \$0 |
| 120 | Total Receivables, net of allowances for doubtful accounts | \$6,351 | \$0 | \$186,957 | \$193,308 |
| 131 | Investments - Unrestricted | \$358,961 | \$0 | \$0 | \$358,961 |
| 142 | Prepaid Expenses and Other Assets | \$14,159 | \$154 | \$0 | \$14,313 |
| 143 | Inventories | \$22,463 | \$0 | \$0 | \$22,463 |
| 143.1 | Allowance for Obsolete Inventories | \$0 | \$0 | \$0 | \$0 |
| 144 | Interprogram Due From | \$85,693 | \$0 | \$0 | \$85,693 |
| 150 | Total Current Assets | \$1,193,149 | \$105,529 | \$186,957 | \$1,485,635 |
| 161 | Land | \$727,075 | \$0 | \$0 | \$727,075 |
| 162 | Buildings | \$14,686,018 | \$0 | \$885,074 | \$15,571,092 |
| 163 | Furniture, Equipment & Machinery - Dwellings | \$390,153 | \$0 | \$5,080 | \$395,233 |
| 164 | Furniture, Equipment & Machinery - Administration | \$428,145 | \$3,475 | \$16,127 | \$447,747 |
| 165 | Leasehold Improvements | \$4,360,377 | \$0 | \$0 | \$4,360,377 |
| 166 | Accumulated Depreciation | (\$12,644,351) | (\$2,831) | (\$80,264) | (\$12,727,446) |
| 167 | Construction In Progress | \$0 | \$0 | \$185,472 | \$185,472 |
| 160 | Total Capital Assets, Net of Accumulated Depreciation | \$7,947,417 | \$644 | \$1,011,489 | \$8,959,550 |
| 190 | Total Assets | \$9,140,566 | \$106,173 | \$1,198,446 | \$10,445,185 |
| 312 | Accounts Payable <= 90 Days | \$28,608 | \$0 | \$185,472 | \$214,080 |
| 321 | Accrued Wage/Payroll Taxes Payable | \$12,010 | \$0 | \$0 | \$12,010 |
| 331 | Accounts Payable - HUD PHA Programs | \$0 | \$43,521 | \$0 | \$43,521 |
| 333 | Accounts Payable - Other Government | \$23,796 | \$0 | \$0 | \$23,796 |
| 341 | Tenant Security Deposits | \$55,990 | \$0 | \$0 | \$55,990 |

Geauga Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

| Line Item No. | Account Description | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total |
|---------------|-----------------------------------------------------------|-------------------------|-------------------------|-------------------------------------|-------------|
| 703 | Net Tenant Rental Revenue | \$519,976 | \$0 | \$0 | \$519,976 |
| 704 | Tenant Revenue - Other | \$10,285 | \$0 | \$0 | \$10,285 |
| 705 | Total Tenant Revenue | \$530,261 | \$0 | \$0 | \$530,261 |
| 706 | HUD PHA Operating Grants | \$563,328 | \$823,957 | \$43,070 | \$1,430,355 |
| 706.1 | Capital Grants | \$0 | \$0 | \$401,077 | \$401,077 |
| 711 | Investment Income - Unrestricted | \$21,402 | \$918 | \$0 | \$22,320 |
| 715 | Other Revenue | \$33,554 | \$0 | \$0 | \$33,554 |
| 700 | Total Revenue | \$1,148,545 | \$824,875 | \$444,147 | \$2,417,567 |
| 911 | Administrative Salaries | \$164,850 | \$57,561 | \$0 | \$222,411 |
| 912 | Auditing Fees | \$2,891 | \$2,361 | \$0 | \$5,252 |
| 914 | Compensated Absences | \$9,990 | \$0 | \$0 | \$9,990 |
| 915 | Employee Benefit Contributions - Administrative | \$52,175 | \$24,836 | \$0 | \$77,011 |
| 916 | Other Operating - Administrative | \$60,181 | \$14,792 | \$43,070 | \$118,043 |
| 931 | Water | \$63,302 | \$0 | \$0 | \$63,302 |
| 932 | Electricity | \$73,214 | \$0 | \$0 | \$73,214 |
| 933 | Gas | \$56,607 | \$0 | \$0 | \$56,607 |
| 938 | Other Utilities Expense | \$88,897 | \$0 | \$0 | \$88,897 |
| 941 | Ordinary Maintenance and Operations - Labor | \$166,134 | \$0 | \$0 | \$166,134 |
| 942 | Ordinary Maintenance and Operations - Materials and Other | \$68,927 | \$99 | \$0 | \$69,026 |
| 943 | Ordinary Maintenance and Operations - Contract Costs | \$57,290 | \$0 | \$0 | \$57,290 |
| 945 | Employee Benefit Contributions - Ordinary Maintenance | \$52,175 | \$0 | \$0 | \$52,175 |
| 961 | Insurance Premiums | \$66,057 | \$613 | \$0 | \$66,670 |
| 963 | Payments in Lieu of Taxes | \$23,796 | \$0 | \$0 | \$23,796 |
| 969 | Total Operating Expenses | \$1,006,486 | \$100,262 | \$43,070 | \$1,149,818 |
| 970 | Excess Operating Revenue over Operating Expenses | \$142,059 | \$724,613 | \$401,077 | \$1,267,749 |
| 971 | Extraordinary Maintenance | \$3,506 | \$0 | \$0 | \$3,506 |
| 973 | Housing Assistance Payments | \$0 | \$726,314 | \$0 | \$726,314 |
| 974 | Depreciation Expense | \$705,794 | \$184 | \$38,730 | \$744,708 |

Geauga Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

| Line Item No. | Account Description | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total |
|---------------|----------------------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------------------|--------------|
| 900 | Total Expenses | \$1,715,786 | \$826,760 | \$81,800 | \$2,624,346 |
| 1000 | Excess (Deficiency) of Operating Revenue Over (Under) Expenses | (\$567,241) | (\$1,885) | \$362,347 | (\$206,779) |
| 1103 | Beginning Equity | \$9,463,969 | (\$11,146) | \$649,142 | \$10,101,965 |
| 1104 | Prior Period Adjustments, Equity Transfers and Correction of Errors | \$5,220 | (\$8,525) | \$0 | (\$3,305) |
| | Ending Equity | \$8,901,948 | (\$21,556) | \$1,011,489 | \$9,891,881 |
| 1113 | Maximum Annual Contributions Commitment (Per ACC) | \$0 | \$867,478 | \$0 | \$867,478 |
| 1114 | Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months | \$0 | \$0 | \$0 | \$0 |
| 1115 | Contingency Reserve, ACC Program Reserve | \$0 | \$40,130 | \$0 | \$40,130 |
| 1116 | Total Annual Contributions Available | \$0 | \$907,608 | \$0 | \$907,608 |
| 1120 | Unit Months Available | 2,916 | 2,052 | 0 | 4,968 |
| 1121 | Number of Unit Months Leased | 2,880 | 2,013 | 0 | 4,893 |

Geauga Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2004

Capital Fund Program Number OH12P04250101

1. The Program Costs are as follows:

| | |
|---------------------------------------|----------------------|
| Funds Approved | \$396,509 |
| Funds Expended | <u>396,509</u> |
| Excess (Deficiency) of Funds Approved | <u>\$ -0-</u> |
| | |
| Funds Advanced | \$396,509 |
| Funds Expended | <u>396,509</u> |
| Excess (Deficiency) of Funds Advanced | <u><u>\$ -0-</u></u> |

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on July 15, 2004.
4. The final costs on the certification agree to the Authority's records.

Geauga Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2004

Capital Fund Program Number OH12P04250203

5. The Program Costs are as follows:

| | |
|---------------------------------------|----------------------|
| Funds Approved | \$61,892 |
| Funds Expended | <u>61,892</u> |
| Excess (Deficiency) of Funds Approved | <u><u>\$ -0-</u></u> |
| | |
| Funds Advanced | \$61,892 |
| Funds Expended | <u>61,892</u> |
| Excess (Deficiency) of Funds Advanced | <u><u>\$ -0-</u></u> |

6. All costs have been paid and there are no outstanding obligations.
7. The Final Financial Status Report was signed and filed on November 1, 2004.
8. The final costs on the certification agree to the Authority's records.

Geauga Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended December 31, 2004

| FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES | CFDA NUMBER | EXPENDITURES |
|--------------------------------------------------------------------|------------------------|----------------------------------|
| U.S. Department of Housing and Urban Development Direct Program | | |
| Low Rent Public Housing | 14.850 | \$563,328 |
| Housing Choice Vouchers | 14.871 | 823,957 |
| Public Housing Capital Fund Program | 14.872 | <u>444,147</u> |
| TOTAL AWARDS | | <u><u>\$1,831,432</u></u> |



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

Board of Directors
Geauga Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the Basic Financial Statements of the Geauga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, and have issued my report thereon dated July 8, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Geauga Metropolitan Housing Authority, Ohio's Basic Financial Statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the Basic Financial Statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Geauga Metropolitan Housing Authority, Ohio, in a separate letter dated July 8, 2005.

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

A handwritten signature in cursive script that reads "Salvatore Consiglio".

Salvatore Consiglio, CPA, Inc.

July 8, 2005



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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

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Geauga Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2004. Geauga Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Geauga Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Geauga Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Geauga Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Geauga Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Geauga Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses.

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



Salvatore Consiglio, CPA, Inc.

July 8, 2005

Geauga Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2004

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|----------------------------------------|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|----------------------------------------|

| | |
|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Type of Financial Statement Opinion | Unqualified |
| Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| Were there any material internal control weakness conditions reported for major federal programs? | No |
| Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| Type of Major Programs' Compliance Opinion | Unqualified |
| Are there any reportable findings under § .510? | No |
| Major Programs (list): | CFDA # 14.850 – Low Rent Public Housing Program; and 14.872 – Capital Fund Program |
| Dollar Threshold: Type A/B Programs | Type A: > \$300,000 Type B: All Others |
| Low Risk Auditee? | Yes |

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|--------------------------------------------------------|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS |
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There are no Findings or questioned costs for the year ended December 31, 2004.

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|----------------------------------------------|
| 3. FINDINGS RELATED TO FEDERAL AWARDS |
|----------------------------------------------|

There are no Findings or questioned costs for the year ended December 31, 2004.

Geauga Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2004

The audit report for the fiscal year ending December 31, 2003 contained not audit finding.



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

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
SEPTEMBER 20, 2005**