

Geauga Metropolitan Housing Authority  
General Purpose Financial Statements  
For the Year Ended December 31, 2003





**Auditor of State  
Betty Montgomery**

Board of Directors  
Geauga Metropolitan Housing Authority  
Chardon, Ohio

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, 2003 through December 31, 2003. 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

October 27, 2004

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GEAUGA METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2003

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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 general purpose financial statements of Geauga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Geauga Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these general purpose 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 general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of Geauga Metropolitan Housing Authority, Ohio, as of December 31, 2003, 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.

In accordance with *Government Auditing Standards*, I have also issued a report dated May 14, 2004, 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.

My Audit was performed for the purpose of forming and opinion on the general purpose 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 general purpose financial statements. The combining financial data schedule ("FDS") and the PHA's statements and certification of actual modernization costs are presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the general purpose 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.



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Salvatore Consiglio, CPA, Inc.

May 14, 2004

Geauga Metropolitan Housing Authority  
 Combined Balance Sheet  
 Proprietary Fund Type - Enterprise Fund  
 December 31, 2003

**ASSETS**

CURRENT ASSETS:	
Cash and Cash Equivalents	\$637,180
Investments	388,064
Accounts Receivables – Net of Allowance	41,675
Interprogram Due from	158,569
Inventories - Net of Allowance	26,419
Deferred Charges and Other Assets	15,363
TOTAL CURRENT ASSETS	<u>1,267,270</u>
NONCURRENT ASSETS:	
Fixed Assets - Net of Accumulated Depreciation	9,243,076
TOTAL NONCURRENT ASSETS	<u>9,243,076</u>
TOTAL ASSETS	<u>\$10,510,346</u>

**LIABILITIES AND FUND EQUITY**

CURRENT LIABILITIES:	
Accounts Payable	\$31,828
Intergovernmental Payable	22,358
Accrued Wages and Payroll Taxes	78,977
Tenant Security Deposits	60,041
Interprogram Due from	158,569
Deferred Credits and Other Liabilities	16,619
TOTAL CURRENT LIABILITIES	<u>368,392</u>
NONCURRENT LIABILITIES:	
Other Long-Term Liabilities	39,989
TOTAL NONCURRENT LIABILITIES	<u>39,989</u>
TOTAL LIABILITIES	<u>408,381</u>
FUND EQUITY:	
Total Contributed Capital	9,705,270
Unreserved Fund	396,695
TOTAL FUND EQUITY	<u>10,101,965</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$10,510,346</u>

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

Geauga Metropolitan Housing Authority  
 Combined Statement of Revenue, Expenses and Change in Fund Equity  
 Proprietary Fund Type  
 Enterprise Fund  
 For the Year Ended December 31, 2003

**REVENUE**

Tenant Rental Revenue	\$536,247
Program Grant/Subsidies	1,599,175
Interest Income	<u>31,492</u>
 TOTAL REVENUE	 <u>2,166,914</u>

**EXPENSES**

Administrative Expenses	455,202
Utilities Expense	267,655
Ordinary Maintenance and Operation	393,863
General Expenses	110,771
Housing Assistance Payments	763,007
Depreciation	<u>744,107</u>
 TOTAL EXPENSES	 <u>2,734,605</u>

EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(567,691)
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Beginning Equity	10,708,284
Prior Period Adjustments	<u>(38,628)</u>
 Ending Equity	 <u><u>\$10,101,965</u></u>

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

Geauga Metropolitan Housing Authority  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 Enterprise Fund  
 For the Year Ended December 31, 2003

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net Operating Income/(Loss)	(\$567,691)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	744,107
- (Increases) Decreases in Accounts Receivable	272,486
- (Increases) Decreases in Prepaid Expenses	(1,309)
- Increases (Decreases) Accounts Payable	(248,497)
- (Increases) Decreases in Tenant Security Deposits	2,647
- Increases (Decreases) Payroll and Payroll Liabilities Payable	8,576
- Increases (Decreases) in Deferred Credits and Other Liabilities	<u>12,240</u>
 Total Adjustments	 <u>790,250</u>
 NET CASH PROVIDED FROM OPERATING ACTIVITIES	 <u>222,559</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Change in Inventory	2,157
Proceeds from Investments	<u>265,635</u>
 NET CASH PROVIDED FROM INVESTING ACTIVITIES	 <u>267,792</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Purchase of Assets	<u>(50,546)</u>
 NET CASH USED IN FINANCING ACTIVITIES	 <u>(50,546)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 439,805
 CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	 <u>197,375</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 <u><b>\$637,180</b></u>

The accompanying notes to the general purpose 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, 2003**

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

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

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

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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.

**Fund Accounting**

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

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

**Proprietary Fund Types**

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

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

**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*

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

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

*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 on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

The provisions of the HUD regulations restrict investments. Investments are valued at market value. Interest income earned in the fiscal year ending December 31, 2003 totaled \$31,492.

**Fixed Assets**

Fixed 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's life are not capitalized.

**Cash and Cash Equivalents**

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

**Compensated Absences**

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

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.

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

**Compensated Absences** (Continued)

In the proprietary fund, the compensated absences are expenses 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.

NOTE 2: **CASH AND INVESTMENTS**

**Deposits**

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

*Category 1* Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

*Category 2* Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority'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	\$643,833	\$643,833	\$0	\$0	\$637,180
Investments - CD	388,064	388,064	0	0	388,064
<b>Total Deposits</b>	<b>\$1,031,897</b>	<b>\$1,031,897</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,025,244</b>

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

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NOTE 2: **CASH AND INVESTMENTS** (Continued)

**Investments**

HUD Handbook 7475.1, Chapter 4, Section 1 authorizes the Authority 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 Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at fiscal year end. The categories are described as follows:

- Category 1* Insured, registered, or securities held by the Authority or by its agent in the Authority's name.
- Category 2* Uninsured and unregistered, with securities held by the counter party's trust department or agent in the Authority's name.
- Category 3* Uninsured and unregistered, with securities held by the counter party, or its trust department or agent, but not in the Authority's name.

The Authority's non-negotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB Statement No. 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, 2003, the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents, and vehicles. Vehicles policies include liability coverage for bodily injury and property damage.

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 4: FIXED ASSETS**

The following is a summary:

Land	\$727,075
Buildings	15,318,288
Furniture, Machinery, and Equipment	820,074
Leasehold Improvement	4,360,377
Construction in Progress	0
Total Fixed Assets	<u>21,225,814</u>
Accumulated Depreciation	<u>(11,982,738)</u>
<b>Net Fixed Assets</b>	<b><u>\$ 9,243,076</u></b>

The following is a summary of changes:

	Balance 12/31/02	Adjustment	Additions	Deletion	Balance 12/31/03
Land	\$727,075	\$0	\$0	\$0	\$727,075
Building	14,905,839	412,449	0	0	15,318,288
Furniture & Equipment	966,019	(146,559)	5,914	(5,300)	820,074
Leasehold Improvements	4,486,592	(126,215)	0	0	4,360,377
Construction in Progress	252,773	(297,405)	44,632	0	0
Total Fixed Assets	<u>\$21,338,298</u>	<u>(\$157,730)</u>	<u>\$50,546</u>	<u>(\$5,300)</u>	<u>\$21,225,814</u>

The depreciation expense for the year ended December 31, 2003 was \$744,107.

The Authority changed their capitalization policy in 2003 to a threshold of \$500. Adjustments were made to remove all assets with a cost of less than \$500 from the list of fixed assets.

**NOTE 5: PENSION PLAN**

**Ohio Public Employees Retirement System**

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined 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

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

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

**Ohio Public Employees Retirement System** (Continued)

directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provide retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Authority's contribution rate for pension benefits for 2003 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$53,426, \$59,677, and \$46,094, respectively; 100 percent has been contributed for 2003, 2002, and 2001. Contributions to the member-directed plan for 2003 were \$53,426 made by the Authority and \$33,515 made by the plan members.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

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

**Ohio Public Employees Retirement System** (Continued)

Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003, which were used to fund post employment benefits, were \$19,715. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care plan. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

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NOTE 7: **PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments in total of \$(38,628) were necessary to properly state the retained earning balance. The adjustments are as follows:

**Capital Fund Program**

Correction to the fiscal year 2002 financial statements to properly state fixed assets	\$ (11,438)
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**Housing Choice Voucher**

Increase in HUD 2002 reversal and depreciation adjustments	1,261
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**Low Rent Public Housing**

Adjustment for the change in fixed asset capitalization	<u>(28,451)</u>
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<b>Total Prior Period Adjustments</b>	<b><u>\$ (38,628)</u></b>
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NOTE 8: **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 programs. This 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, 2003

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash – Unrestricted	\$ 436,791	\$ 114,802	\$ -	\$ 551,593
114	Cash - Tenant Security Deposits	85,587	-	-	85,587
100	Total Cash	522,378	114,802	-	637,180
121	Accounts Receivable - PHA Projects	-	30,482	-	30,482
126	Accounts Receivable - Tenants - Dwelling Rents	18,326	-	-	18,326
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(7,133)	-	-	(7,133)
126.2	Allowance for Doubtful Accounts – Other	-	-	-	-
120	Total Receivables, net of allowances for doubtful accounts	11,193	30,482	-	41,675
131	Investments – Unrestricted	388,064	-	-	388,064
142	Prepaid Expenses and Other Assets	15,210	153	-	15,363
143	Inventories	26,419	-	-	26,419
143.1	Allowance for Obsolete Inventories	-	-	-	-
144	Interprogram Due From	157,411	-	1,158	158,569
150	Total Current Assets	1,120,675	145,437	1,158	1,267,270
161	Land	727,075	-	-	727,075
162	Buildings	14,627,612	-	690,676	15,318,288
163	Furniture, Equipment & Machinery – Dwellings	388,454	-	-	388,454
164	Furniture, Equipment & Machinery - Administration	428,145	3,475	-	431,620
165	Leasehold Improvements	4,360,377	-	-	4,360,377
166	Accumulated Depreciation	(11,938,557)	(2,647)	(41,534)	(11,982,738)
160	Total Fixed Assets, Net of Accumulated Depreciation	8,593,106	828	649,142	9,243,076
190	Total Assets	\$ 9,713,781	\$ 146,265	\$ 650,300	\$10,510,346
312	Accounts Payable <= 90 Days	\$ 30,670	\$ -	\$ 1,158	\$ 31,828
321	Accrued Wage/Payroll Taxes Payable	11,217	-	-	11,217
322	Accrued Compensated Absences - Current Portion	67,760	-	-	67,760
333	Accounts Payable - Other Government	22,358	-	-	22,358
341	Tenant Security Deposits	60,041	-	-	60,041
342	Deferred Revenues	16,619	-	-	16,619
347	Interprogram Due To	1,158	157,411	-	158,569
310	Total Current Liabilities	209,823	157,411	1,158	368,392



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, 2003

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$ 502,737	\$ -	\$ -	\$ 502,737
704	Tenant Revenue – Other	33,510	-	-	33,510
705	Total Tenant Revenue	536,247	-	-	536,247
706	HUD PHA Operating Grants	530,725	866,611	157,207	1,554,543
706.1	Capital Grants	-	-	44,632	44,632
711	Investment Income – Unrestricted	28,431	3,061	-	31,492
713.1	Cost of Sale of Assets	-	-	-	-
720	Investment Income – Restricted	-	-	-	-
700	Total Revenue	1,095,403	869,672	201,839	2,166,914
911	Administrative Salaries	162,642	51,338	-	213,980
912	Auditing Fees	2,920	2,863	-	5,783
915	Employee Benefit Contributions – Administrative	51,527	17,394	-	68,921
916	Other Operating – Administrative	61,618	15,221	89,679	166,518
931	Water	56,496	-	-	56,496
932	Electricity	73,514	-	-	73,514
933	Gas	56,759	-	-	56,759
938	Other Utilities Expense	80,886	-	-	80,886
941	Ordinary Maintenance and Operations – Labor	164,632	-	-	164,632
942	Ordinary Maintenance and Operations - Materials and Other	56,147	320	67,528	123,995
943	Ordinary Maintenance and Operations - Contract Costs	52,269	809	-	53,078
945	Employee Benefit Contributions - Ordinary Maintenance	52,158	-	-	52,158
961	Insurance Premiums	68,350	509	-	68,859
962	Other General Expenses	6,764	-	-	6,764
963	Payments in Lieu of Taxes	22,358	-	-	22,358
964	Bad Debt - Tenant Rents	12,790	-	-	12,790
969	Total Operating Expenses	981,830	88,454	157,207	1,227,491
970	Excess Operating Revenue over Operating Expenses	113,573	781,218	44,632	939,423
973	Housing Assistance Payments	-	763,007	-	763,007
974	Depreciation Expense	711,752	92	32,263	744,107
900	Total Expenses	1,693,582	851,553	189,470	2,734,605

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, 2003

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(598,179)	18,119	12,369	(567,691)
1103	Beginning Equity	10,090,599	(30,526)	648,211	10,708,284
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(28,451)	1,261	(11,438)	(38,628)
	Ending Equity	\$ 9,463,969	\$ (11,146)	\$ 649,142	\$10,101,965
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ -	\$ 830,925	\$ -	\$ 830,925
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	-	-	-	-
1115	Contingency Reserve, ACC Program Reserve	-	48,416	-	48,416
1116	Total Annual Contributions Available	\$ -	\$ 879,341	\$ -	\$ 879,341
1120	Unit Months Available	2,916	2,035	-	4,951
1121	Number of Unit Months Leased	2,890	2,035	-	4,925

Geauga Metropolitan Housing Authority  
 Schedule of Expenditures of Federal Award  
 For the Year Ended December 31, 2003

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURE RES</b>
<hr/>		
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$530,725
Housing Choice Vouchers	14.871	866,611
Public Housing Capital Fund Program	14.872	<u>201,839</u>
Total Expenditure of Federal Award		<u><u>\$1,599,175</u></u>

Geauga Metropolitan Housing Authority  
PHA's Statement and Certification of Actual Modernization Cost  
December 31, 2003

Comprehensive Improvement Assistance Grant Number OH12P042-50100

1. The Actual Modernization Costs are as follows:

Funds Approved	\$390,169
Funds Expended	<u>390,169</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The actual modernization cost certification was signed and filed on March 26, 2003.
4. The final costs on the certification agree to the Authority's records.



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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 general purpose financial statements of the Geauga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2003, and have issued my report thereon dated May 14, 2004. 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 general purpose 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 general purpose 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.

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.



Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.

May 14, 2004



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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, 2003. 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, 2003.

## **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.

May 14, 2004

Geauga Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 December 31, 2003

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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There are no Findings or questioned costs for the year ended December 31, 2003.

<b>3. FINDINGS REALTED TO FEDERAL AWARDS</b>
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There are no Findings or questioned costs for the year ended December 31, 2003.

Geauga Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
December 31, 2003

The audit report for the fiscal year ending December 31, 2002 contained not audit finding.



**Auditor of State  
Betty Montgomery**

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**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  
NOVEMBER 9, 2004**