

GEAUGA METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2010



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Geauga Metropolitan Housing Authority, Geauga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Geauga Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 28, 2011

This Page is Intentionally Left Blank.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2010**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Statement of Net Assets - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	10
Statement of Cash Flows - Proprietary Fund Type	11
Notes to the Basic Financial Statements	12-21
Statement of Modernization Costs - Completed	22
Schedule of Expenditures of Federal Awards	23
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	26-27
Schedule of Findings and Questioned Costs	28
Status of Prior Citations and Recommendations	29

This Page is Intentionally Left Blank.

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Geauga Metropolitan Housing Authority
Chardon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the Geauga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Geauga Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Geauga Metropolitan Housing Authority, Ohio, as of December 31, 2010, and the respective changes in net assets and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 6, 2011, on our consideration of the Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Geauga Metropolitan Housing Authority, Ohio's basic financial statements taken as a whole. The Statement of Modernization Costs - Completed is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The Schedule of Expenditures of Federal Awards and the Statements of Modernization Costs - Completed are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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


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

June 6, 2011

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)**

As management of the Geauga Metropolitan Housing Authority (“the Authority”), we offer this narrative and analysis of the financial activities of the Authority for the year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements.

FINANCIAL HIGHLIGHTS

- The Authority’s net assets decreased by \$251,954, during 2010, resulting from changes in operations. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net assets were \$7,816,080 and \$8,068,034 for 2010 and 2009, respectively.
- The Authority’s cash balance at December 31, 2010 was \$1,366,387, representing an increase of \$53,525 from December 31, 2009.
- Revenues increased by \$414,079, or 16 percent, during 2010 and were \$3,020,122 and \$2,606,043 for 2010 and 2009, respectively.
- The total expenses of all the Authority’s programs increased by \$205,323, or 7 percent. Total expenses were \$3,272,076 and \$3,066,753 for 2010 and 2009, respectively.

THE AUTHORITY’S FINANCIAL STATEMENTS

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

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

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

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

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)**

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

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

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

Fund Financial Statements

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

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

THE AUTHORITY’S PROGRAMS

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

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

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)**

THE AUTHORITY'S STATEMENTS

Statement of Net Assets

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

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

	2010	2009
<u>Assets</u>		
Current and Other Assets	\$ 1,446,081	\$ 1,404,867
Capital Assets	6,681,340	7,032,388
Total Assets	<u>\$ 8,127,421</u>	<u>\$ 8,437,255</u>
<u>Liabilities</u>		
Current Liabilities	\$ 166,822	\$ 264,386
Noncurrent Liabilities	144,519	104,835
Total Liabilities	<u>311,341</u>	<u>369,221</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	6,681,340	7,032,388
Restricted Net Assets	95,756	47,568
Unrestricted Net Assets	1,038,984	988,078
Total Net Assets	<u>7,816,080</u>	<u>8,068,034</u>
Total Liabilities and Net Assets	<u>\$ 8,127,421</u>	<u>\$ 8,437,255</u>

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

Major Factors Affecting the Statement of Net Assets

During 2010, Current and Other Assets increased by \$41,214 and Current Liabilities decreased by \$97,564. The Current and Other Assets, primarily cash, increased due to restricted cash received for housing assistance payments. The decrease in Current Liabilities is mainly due to deferred revenue from HUD at the end of the year. The 2009 financial statements reflect a deferred revenue due to January 2010 subsidy for the Housing Choice Voucher Program received in December 2009.

Capital Assets also changed, decreasing from \$7,032,388 to \$6,681,340. The \$351,048 decrease may be contributed primarily to a combination of net acquisitions of \$468,686, less current year depreciation of \$819,734. For more detail see "Capital Assets".

Change in Unrestricted Net Assets

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)**

Table 2- Changes of Unrestricted Net Assets

Beginning Balance - December 31, 2009	\$ 988,078
Results of Operations	(251,954)
Adjustments:	
Current Year Depreciation Expense (1)	819,734
Capital Expenditures (2)	(468,686)
Transfer to Restricted Net Assets	(48,188)
Ending Balance - December 31, 2010	<u>\$1,038,984</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.

Statement of Revenues, Expenses, and Changes in Net Assets

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

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

	2010	2009
<u>Revenues</u>		
Total Tenant Revenues	\$ 626,932	\$ 637,023
Operating Subsidies	1,847,757	1,669,188
Capital Grants	449,234	220,546
Investment Income	1,528	5,243
Other Revenues	94,671	74,043
Total Revenues	<u>3,020,122</u>	<u>2,606,043</u>
<u>Expenses</u>		
Administrative	569,312	511,922
Tenant Services	39,038	33,047
Utilities	304,533	300,104
Maintenance	610,363	477,038
General Expenses	149,212	135,606
Housing Assistance Payments	779,884	805,439
Depreciation	819,734	803,597
Total Expenses	<u>3,272,076</u>	<u>3,066,753</u>
Net Increases (Decreases)	<u>\$ (251,954)</u>	<u>\$ (460,710)</u>

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)**

Total revenues increased \$414,079 during 2010 in comparison to 2009, due to the increase in the HUD Operating and Capital Fund Grants in 2010.

Total expenses increased in comparison to 2009. The \$205,323 increase was mainly due to increases in administrative personnel expenses, and maintenance expenses.

Capital Assets

As of year-end, the Authority had \$6,681,340 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (current purchases less depreciation) of \$351,048 or 5 percent from the end of last year.

Table 4 - Condensed Statement of Changes in Capital Assets

	2010	2009
Land	\$ 727,075	\$ 727,075
Buildings	22,370,209	21,710,196
Equipment	881,134	845,944
Construction in Progress	17,965	244,482
Accumulated Depreciation	(17,315,043)	(16,495,309)
Total	<u>\$ 6,681,340</u>	<u>\$ 7,032,388</u>

Table 5 - Changes in Capital Assets

Beginning Balance - December 31, 2009	\$ 7,032,388
Current Year Additions	468,686
Current Year Depreciation Expense	<u>(819,734)</u>
Ending Balance - December 31, 2010	<u>\$ 6,681,340</u>

Table 6 - Current Year Breakout of Additions to Assets

New Pavilions	\$ 13,402
Security Cameras	23,999
A & E Fees	36,441
Dwelling Structures - CFP	152,170
Parking Lot Paving	236,624
New A/C Unit	<u>6,050</u>
Total	<u>\$ 468,686</u>

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)**

Debt

The Authority had no debt at December 31, 2010.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the U.S. Department of Housing and Urban Development. It is projected that 2011 grant revenue from HUD will be 70 percent - 80 percent of expense level.
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and, therefore, the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs.

Financial Contact

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,190,160
Restricted Cash and Cash Equivalents	176,227
Receivables, Net	26,638
Inventories, Net	13,075
Prepaid Expenses and Other Assets	39,981
Total Current Assets	<u>1,466,081</u>

Noncurrent Assets

Capital Assets:	
Non-Depreciable Capital Assets	745,040
Depreciable Capital Assets, Net	5,936,300
Less Accumulated Depreciation	<u>(17,316,547)</u>
Total Noncurrent Assets	<u>6,681,340</u>

TOTAL ASSETS **\$ 8,127,421**

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities

Accounts Payable	\$ 30,855
Accrued Liabilities	40,849
Intergovernmental Payables	32,240
Tenant Security Deposits	60,521
Deferred Revenue	2,357
Total Current Liabilities	<u>166,822</u>

Noncurrent Liabilities

Accrued Compensated Absences Non-Current	124,569
Other Non-Current Liabilities	19,950
Total Noncurrent Liabilities	<u>144,519</u>
Total Liabilities	<u>311,341</u>

Net Assets

Invested in Capital Assets, Net of Related Debt	6,681,340
Restricted Net Assets	95,756
Unrestricted Net Assets	1,038,984
Total Net Assets	<u>7,816,080</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 8,127,421**

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, 2010

<u>Operating Revenues</u>	
Tenant Revenues	\$ 626,932
Government Operating Grants	1,847,757
Other Revenues	<u>94,671</u>
Total Operating Revenues	<u>2,569,360</u>
 <u>Operating Expenses</u>	
Administrative	569,312
Tenant Services	39,038
Utilities	304,533
Maintenance	610,363
General	149,212
Housing Assistance Payments	779,884
Depreciation	<u>819,734</u>
Total Operating Expenses	<u>3,272,076</u>
Operating Income (Loss)	<u>(702,716)</u>
 <u>Non-Operating Revenues</u>	
Interest and Investment Revenue	<u>1,528</u>
Total Non-Operating Revenues	<u>1,528</u>
Income (Loss) Before Contributions and Transfers	(701,188)
 Capital Grants	 <u>449,234</u>
Change in Net Assets	(251,954)
 Total Net Assets at Beginning of Year	 <u>8,068,034</u>
 Total Net Assets at End of Year	 <u>\$ 7,816,080</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, 2010

<u>Cash Flows from Operating Activities</u>	
Operating Grants Received	\$ 1,772,837
Tenant Revenue Received	633,431
Other Revenue Received	94,671
General and Administrative Expenses Paid	(1,649,606)
Housing Assistance Payments	<u>(779,884)</u>
Net Cash Provided (Used) by Operating Activities	<u>71,449</u>
<u>Cash Flows from Investing Activities</u>	
Interest Income	<u>1,528</u>
Net Cash Provided (Used) by Investing Activities	<u>1,528</u>
<u>Cash Flows from Capital and Related Activities</u>	
Capital Grant Funds Received	449,234
Property and Equipment Purchased	<u>(468,686)</u>
Net Cash Provided (Used) by Capital and Related Activities	<u>(19,452)</u>
Net Increase (Decrease) in Cash	53,525
Cash and Cash Equivalents at Beginning of Year	<u>1,312,862</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,366,387</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Net Operating Income (Loss)	\$ (702,716)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	819,734
(Increase) Decrease in:	
Accounts Receivable	3,266
Prepaid Assets	9,194
Inventory	(149)
Increase (Decrease) in:	
Accounts Payable	(3,410)
Intergovernmental Payable	(1,452)
Accrued Compensated Absences	27,483
Accrued Expenses Payable	(21,680)
Tenant Security Deposits	973
Other Liabilities	<u>(59,794)</u>
Net Cash Provided by Operating Activities	<u>\$ 71,449</u>

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Geauga Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

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

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

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

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

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

Reporting Entity (Continued)

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

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

Basis of Presentation

The Authority's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

Fund Accounting

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

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

Proprietary Fund Types

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

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

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

Measurement Focus/Basis of Accounting

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

Description of Programs

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

A. **Public Housing Program**

The public housing program is designed to provide low-cost housing within Geauga County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. **Capital Fund Program**

The Capital Fund Program provides funds annually, via a formula, to public housing agencies for capital and management activities, including modernization and development housing.

C. **Housing Choice Voucher Program**

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit, or public landlords to subsidize rentals for low-income persons.

Investments

The provisions of the HUD regulations restrict investments. Investments are valued at market value. Interest income earned in the fiscal year ending December 31, 2010 totaled \$1,528.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

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

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$1,500 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight line method over the following estimated useful lives:

Buildings	40 years
Building Improvements	15 years
Furniture, Equipment, and Machinery	3-7 years

Net 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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

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

Compensated Absences

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

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee, and 2) it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

Budgetary Accounting

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

Accounting and Reporting for Non-Exchange Transactions

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

Estimates

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

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

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

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by the Authority, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal year end, December 31, 2010, the carrying amount of the Authority's deposits totaled \$1,366,387, and its bank balance was \$1,415,355. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2010, \$1,165,355 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits.

Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks or at member banks of the Federal Reserve System in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

NOTE 3: RESTRICTED CASH

The restricted cash balance of \$176,227 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$ 95,756
Tenant Security deposits in the Low Rent Public Housing Program	60,521
FSS Escrow Liability	<u>19,950</u>
Total Restricted Cash	<u>\$ 176,227</u>

NOTE 4: CAPITAL ASSETS

The following is a summary of changes:

	<u>Balance 12/31/09</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/10</u>
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 727,075	\$ 0	\$ 0	\$ 0	\$ 727,075
Construction-in-Progress	<u>244,482</u>	<u>(286,875)</u>	<u>60,358</u>	<u>0</u>	<u>17,965</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>971,557</u>	<u>(286,875)</u>	<u>60,358</u>	<u>0</u>	<u>745,040</u>
<i>Capital Assets Being Depreciated:</i>					
Buildings	21,710,196	251,685	408,328	0	22,370,209
Furniture, Machinery, and Equipment	<u>845,944</u>	<u>35,190</u>	<u>0</u>	<u>0</u>	<u>881,134</u>
<i>Total Capital Assets Being Depreciated</i>	<u>22,556,140</u>	<u>286,875</u>	<u>408,328</u>	<u>0</u>	<u>23,251,343</u>
<i>Accumulated Depreciation:</i>					
Buildings	(15,699,775)	0	(801,001)	0	(16,500,776)
Furniture, Machinery, and Equipment	<u>(795,534)</u>	<u>0</u>	<u>(18,733)</u>	<u>0</u>	<u>(814,267)</u>
<i>Total Accumulated Depreciation</i>	<u>(16,495,309)</u>	<u>0</u>	<u>(819,734)</u>	<u>0</u>	<u>(17,315,043)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>6,060,831</u>	<u>286,875</u>	<u>(411,406)</u>	<u>0</u>	<u>5,936,300</u>
Total Capital Assets, Net	<u>\$ 7,032,388</u>	<u>\$ 0</u>	<u>\$ (351,048)</u>	<u>\$ 0</u>	<u>\$ 6,681,340</u>

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

NOTE 5: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

All full-time employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement, disability, and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-PERS.

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

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

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10.00 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14.00 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2010, 2009, and 2008, were \$85,409, \$78,959, and \$78,499, respectively. The full amount has been contributed for 2010, 2009, and 2008. The Authority had no employees participating in the Member-Directed or Combined Plans for the years ended 2010, 2009, and 2008.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

Ohio 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. 45. 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 2010 employer contribution rate (identified above) that was used to fund health care for the months of January and February was 5.5 percent, and was 5.0 percent for the months of March through December. Actual Authority contributions for 2010 which were used to fund post-employment benefits were \$33,554. Authority contributions used to fund post-employment benefits for 2009 and 2008 were \$32,882 and \$39,250, respectively. 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, 2008. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference 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 2007 was 6.5 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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

NOTE 6: POST-EMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (Continued)

base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5 percent to 5 percent for the next 8 years.

In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate). Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 357,584. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2008 was \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.6 billion and \$18.9 billion, respectively.

NOTE 7: COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended December 31, 2010:

<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/10</u>	<u>Due Within</u> <u>One Year</u>
\$ 128,229	\$ 73,697	\$ 46,214	\$ 155,712	\$ 31,143

NOTE 8: NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

NOTE 9: 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, 2010, the Authority maintained comprehensive insurance coverage with private carriers for health, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010**

Annual Contributions Contract C-5031

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

<u>OH12P04250106</u>	
Funds Approved	\$ 332,774
Funds Expended	<u>332,774</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 332,774
Funds Expended	<u>332,774</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Low Rent Public Housing Program	14.850	\$ 640,782
<i>CFP Cluster</i>		
Capital Fund Program	14.872	305,183
Public Housing Capital Fund Stimulus Recovery Act Funded	14.885	307,188
Total CFP Cluster		<u>612,371</u>
Total Public Housing Programs		<u>1,223,153</u>
<u>Section 8 Tenant Based Programs</u>		
Section 8 Housing Choice Voucher Program	14.871	990,870
Total Section 8 Tenant Based Programs		<u>990,870</u>
<u>Resident Opportunity and Support Services Program</u>		
Resident Opportunity and Support Services Program	14.870	52,968
Total Resident Opportunity and Support Services Program		<u>52,968</u>
Total U.S. Department of Housing and Urban Development		<u>2,266,991</u>
Total Federal Awards		<u>\$ 2,266,991</u>

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

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Directors
Geauga Metropolitan Housing Authority
Chardon, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the financial statements of the Geauga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the Geauga Metropolitan Housing Authority's basic financial statements and have issued our report thereon dated June 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Geauga Metropolitan Housing Authority, in a separate letter dated June 6, 2011.

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



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

June 6, 2011

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Directors
Geauga Metropolitan Housing Authority
Chardon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Geauga Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Geauga Metropolitan Housing Authority, Ohio's major federal programs for the year ended December 31, 2010. The Geauga Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Geauga Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Geauga Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, the Geauga Metropolitan Housing Authority, Ohio, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the Geauga Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Geauga Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Geauga Metropolitan Housing Authority, Ohio's internal control over compliance.

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

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

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


James G. Zupka CPA, Inc.
Certified Public Accountants

June 6, 2011

**GEAUGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weaknesses reported at the financial statement level? (GAGAS)?	No
2010(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2010(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2010(iv)	Were there any material internal control weaknesses reported for major Federal programs?	No
2010(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2010(v)	Type of Major Programs' Compliance Opinion	Unqualified
2010(vi)	Are there any reportable findings under .510?	No
2010(vii)	Major Programs (list): <div style="margin-left: 40px;">Low Rent Public Housing - CFDA #14.850 Capital Fund Cluster: Capital Fund Program - CFDA #14.872 ARRA Capital Fund Program - CFDA # 14.885</div>	
2010(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2010(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010**

The prior audit report, as of December 31, 2009, included no citations or management letter comments.

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

GEAUGA METROPOLITAN HOUSING AUTHORITY

GEAUGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 12, 2011**