

**GEAUGA METROPOLITAN  
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

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





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Geauga Metropolitan Housing Authority, Geauga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2011 through December 31, 2011. 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

August 7, 2012

**This page intentionally left blank.**

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

---

---

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	12-22
Statement of Grant Costs - Completed	23
Schedule of Expenditures of Federal Awards	24
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>	25-26
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	27-28
Schedule of Findings and Questioned Costs	29
Status of Prior Citations and Recommendations	30

**This page intentionally left blank.**

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> 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, 2011, 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, 2011, and the respective changes in financial position 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 14, 2012, 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 Grant 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 Statement of Grant 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 FDS are not available as HUD has not completed its review of the Schedules as of the date of this report.



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

June 14, 2012

**GEOUGA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(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 \$162,279, during 2011, 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 \$7,653,801 and \$7,816,080 for 2011 and 2010, respectively.
- The Authority’s cash balance at December 31, 2011 was \$1,384,139, representing an increase of \$17,752 from December 31, 2010.
- Revenues decreased by \$225,107, or 7 percent, during 2011 and were \$2,795,015 and \$3,020,122 for 2011 and 2010, respectively.
- The total expenses of all the Authority’s programs decreased by \$314,782, or 10 percent. Total expenses were \$2,957,294 and \$3,272,076 for 2011 and 2010, 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, 2011  
(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, 2011  
(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**

	2011	2010
<b><u>Assets</u></b>		
Current and Other Assets	\$ 1,467,655	\$ 1,446,081
Capital Assets	<u>6,479,838</u>	<u>6,681,340</u>
<b>Total Assets</b>	<b><u>\$ 7,947,493</u></b>	<b><u>\$ 8,127,421</u></b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 157,658	\$ 166,822
Noncurrent Liabilities	<u>136,034</u>	<u>144,519</u>
<b>Total Liabilities</b>	<b><u>293,692</u></b>	<b><u>311,341</u></b>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	6,479,838	6,681,340
Restricted Net Assets	85,229	95,756
Unrestricted Net Assets	<u>1,088,734</u>	<u>1,038,984</u>
<b>Total Net Assets</b>	<b><u>7,653,801</u></b>	<b><u>7,816,080</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 7,947,493</u></b>	<b><u>\$ 8,127,421</u></b>

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

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

During 2011, Current and Other Assets increased by \$21,574 and Current Liabilities decreased by \$9,167. 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 a decrease in accounts payable at year end.

Capital Assets also changed, decreasing from \$6,681,340 to \$6,479,838. The \$201,502 decrease may be contributed primarily to a combination of net acquisitions of \$346,627, less current year depreciation of \$548,129. 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, 2011  
(Unaudited)**

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

Beginning Balance - December 31, 2010	\$ 1,038,984
Results of Operations	(162,279)
Adjustments:	
Current Year Depreciation Expense (1)	548,129
Capital Expenditures (2)	(346,627)
Transfer from Restricted Net Assets	10,527
<b>Ending Balance - December 31, 2011</b>	<b><u>\$1,088,734</u></b>

(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**

	2011	2010
<b><u>Revenues</u></b>		
Total Tenant Revenues	\$ 614,176	\$ 626,932
Operating Subsidies	1,734,408	1,847,757
Capital Grants	364,592	449,234
Investment Income	1,171	1,528
Other Revenues	80,668	94,671
<b>Total Revenues</b>	<b><u>2,795,015</u></b>	<b><u>3,020,122</u></b>
<b><u>Expenses</u></b>		
Administrative	576,556	569,312
Tenant Services	107,799	39,038
Utilities	301,083	304,533
Maintenance	499,552	610,363
General Expenses	105,331	149,212
Housing Assistance Payments	818,844	779,884
Depreciation	548,129	819,734
<b>Total Expenses</b>	<b><u>2,957,294</u></b>	<b><u>3,272,076</u></b>
Net Increase (Decrease)	<b><u>\$ (162,279)</u></b>	<b><u>\$ (251,954)</u></b>

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

Total revenues decreased \$225,107 during 2011 in comparison to 2010, due to the decrease in the HUD Operating and Capital Fund Grants in 2011.

Total expenses decreased in comparison to 2010. The \$314,782 decrease was mainly due to decreases in depreciation and maintenance expenses.

**Capital Assets**

As of year-end, the Authority had \$6,479,838 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (current purchases less depreciation) of \$201,502 or 3 percent from the end of last year.

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

	2011	2010
Land	\$ 727,075	\$ 727,075
Buildings	22,734,801	22,370,209
Equipment	881,134	881,134
Construction in Progress	0	17,965
Accumulated Depreciation	(17,863,172)	(17,315,043)
<b>Total</b>	<b><u>\$ 6,479,838</u></b>	<b><u>\$ 6,681,340</u></b>

**Table 5 - Changes in Capital Assets**

Beginning Balance - December 31, 2010	\$ 6,681,340
Current Year Additions	346,627
Current Year Depreciation Expense	<u>(548,129)</u>
<b>Ending Balance - December 31, 2011</b>	<b><u>\$ 6,479,838</u></b>

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

A & E Fees	\$ 19,364
Dwelling Structures - CFP	<u>327,263</u>
<b>Total</b>	<b><u>\$ 346,627</u></b>

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

---

---

**Debt**

The Authority had no debt at December 31, 2011.

**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 2012 grant revenue from HUD will be 70 percent - 80 percent of expense level.
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and, therefore, the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs.

**Financial Contact**

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2011**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 1,200,435
Restricted Cash and Cash Equivalents	183,704
Receivables, Net	30,307
Inventories, Net	14,475
Prepaid Expenses and Other Assets	<u>38,734</u>
<b>Total Current Assets</b>	<b><u>1,467,655</u></b>

**Noncurrent Assets**

Capital Assets:	
Non-Depreciable Capital Assets	727,075
Depreciable Capital Assets, Net	<u>5,752,763</u>
<b>Total Noncurrent Assets</b>	<b><u>6,479,838</u></b>

**TOTAL ASSETS** **\$ 7,947,493**

**LIABILITIES AND NET ASSETS**

**Liabilities**

**Current Liabilities**

Accounts Payable	\$ 10,755
Accrued Liabilities	44,408
Intergovernmental Payables	29,597
Tenant Security Deposits	65,896
Deferred Revenue	<u>7,002</u>
<b>Total Current Liabilities</b>	<b><u>157,658</u></b>

**Noncurrent Liabilities**

Accrued Compensated Absences Non-Current	104,967
Other Non-Current Liabilities	<u>31,067</u>
<b>Total Noncurrent Liabilities</b>	<b><u>136,034</u></b>
<b>Total Liabilities</b>	<b><u>293,692</u></b>

**Net Assets**

Invested in Capital Assets, Net of Related Debt	6,479,838
Restricted Net Assets	85,229
Unrestricted Net Assets	<u>1,088,734</u>
<b>Total Net Assets</b>	<b><u>7,653,801</u></b>

**TOTAL LIABILITIES AND NET ASSETS** **\$ 7,947,493**

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, 2011**

---

<b><u>Operating Revenues</u></b>	
Tenant Revenues	\$ 614,176
Government Operating Grants	1,734,408
Other Revenues	<u>80,668</u>
<b>Total Operating Revenues</b>	<b><u>2,429,252</u></b>
 <b><u>Operating Expenses</u></b>	
Administrative	576,556
Tenant Services	107,799
Utilities	301,083
Maintenance	499,552
General	105,331
Housing Assistance Payments	818,844
Depreciation	<u>548,129</u>
<b>Total Operating Expenses</b>	<b><u>2,957,294</u></b>
Operating Income (Loss)	<u>(528,042)</u>
 <b><u>Non-Operating Revenues</u></b>	
Interest and Investment Revenue	<u>1,171</u>
<b>Total Non-Operating Revenues</b>	<b><u>1,171</u></b>
Income (Loss) Before Contributions and Transfers	(526,871)
 Capital Grants	 <u>364,592</u>
Change in Net Assets	(162,279)
 Total Net Assets at Beginning of Year	 <u>7,816,080</u>
 <b>Total Net Assets at End of Year</b>	 <b><u>\$ 7,653,801</u></b>

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, 2011**

**Cash Flows from Operating Activities**

Operating Grants Received	\$ 1,730,411
Tenant Revenue Received	624,524
Other Revenue Received	80,668
General and Administrative Expenses Paid	(1,618,143)
Housing Assistance Payments	<u>(818,844)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(1,384)</u></b>

**Cash Flows from Investing Activities**

Interest Income	<u>1,171</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>1,171</u></b>

**Cash Flows from Capital and Related Activities**

Capital Grant Funds Received	364,592
Property and Equipment Purchased	<u>(346,627)</u>
<b>Net Cash Provided (Used) by Capital and Related Activities</b>	<b><u>17,965</u></b>
Net Increase (Decrease) in Cash	17,752

Cash and Cash Equivalents at Beginning of Year	<u>1,366,387</u>
--	------------------

<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 1,384,139</u></b>
---	----------------------------

**Reconciliation of Operating Income to Net**

**Cash Provided by Operating Activities**

Net Operating Income (Loss)	\$ (528,042)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	548,129
(Increase) Decrease in:	
Accounts Receivable	(3,669)
Prepaid Assets	1,247
Inventory	(1,400)
Increase (Decrease) in:	
Accounts Payable	(20,100)
Intergovernmental Payable	(2,643)
Accrued Compensated Absences	(24,503)
Accrued Expenses Payable	8,460
Deferred Revenue	4,645
Tenant Security Deposits	5,375
Other Liabilities	<u>11,117</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ (1,384)</u></b>

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

---

---

**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, 2011**  
**(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, 2011**  
**(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, 2011 totaled \$1,171.

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(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, 2011**  
**(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, 2011**  
**(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, 2011, the carrying amount of the Authority's deposits totaled \$1,384,139, and its bank balance was \$1,413,905. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2011, \$1,163,905 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, 2011**  
**(CONTINUED)**

**NOTE 3: RESTRICTED CASH**

The restricted cash balance of \$183,704 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$ 85,229
Tenant Security deposits in the Low Rent Public Housing Program	66,397
FSS Escrow Liability	<u>32,078</u>
<b>Total Restricted Cash</b>	<b><u>\$ 183,704</u></b>

**NOTE 4: CAPITAL ASSETS**

The following is a summary of changes:

	<u>Balance 12/31/10</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/11</u>
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 727,075	\$ 0	\$ 0	\$ 0	\$ 727,075
Construction-in-Progress	<u>17,965</u>	<u>(17,965)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>745,040</u>	<u>(17,965)</u>	<u>0</u>	<u>0</u>	<u>727,075</u>
<b>Capital Assets Being Depreciated:</b>					
Buildings	22,370,209	17,965	346,627	0	22,734,801
Furniture, Machinery, and Equipment	<u>881,134</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>881,134</u>
<b>Total Capital Assets Being Depreciated</b>	<u>23,251,343</u>	<u>17,965</u>	<u>346,627</u>	<u>0</u>	<u>23,615,935</u>
<b>Accumulated Depreciation:</b>					
Buildings	(16,500,776)	0	(521,483)	0	(17,022,259)
Furniture, Machinery, and Equipment	<u>(84,267)</u>	<u>0</u>	<u>(26,646)</u>	<u>0</u>	<u>(840,913)</u>
<b>Total Accumulated Depreciation</b>	<u>(17,315,043)</u>	<u>0</u>	<u>(548,129)</u>	<u>0</u>	<u>(17,863,172)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>5,936,300</u>	<u>17,965</u>	<u>(201,502)</u>	<u>0</u>	<u>5,752,763</u>
<b>Total Capital Assets, Net</b>	<u>\$ 6,681,340</u>	<u>\$ 0</u>	<u>\$ (201,502)</u>	<u>\$ 0</u>	<u>\$ 6,479,838</u>

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(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](http://www.opers.org).

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(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 2011, 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, 2011, 2010, and 2009, were \$84,436, \$85,409, and \$78,959, respectively. The full amount has been contributed for 2011, 2010, and 2009. The Authority had no employees participating in the Member-Directed or Combined Plans for the years ended 2011, 2010, and 2009.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

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

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

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

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

---

---

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

A. **Plan Description** (Continued)

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

B. **Funding Policy**

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employers units. Active members do not make contributions to the OPEB Plan.

OPER's Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines that portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended December 31, 2011, 2010 and 2009, which were used to fund post-employment benefits were \$24,125, \$30,991 and \$31,020, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)**

---

**NOTE 7: COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences for the year ended December 31, 2011:

<u>Balance 12/31/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/11</u>	<u>Due Within One Year</u>
\$ 155,712	\$ 59,716	\$ 84,219	\$ 131,209	\$ 26,242

**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, 2011, 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 GRANT COST - COMPLETED  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011**

---

**Annual Contributions Contract C-5031**

1. The total amount of costs of the Resident Opportunity Self-Sufficiency grant is shown below:

<u>OH042RFS155A009</u>	
Funds Approved	\$ 61,800
Funds Expended	<u>61,800</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 61,800
Funds Expended	<u>61,800</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All work in connection with the Grant Program has been completed.

3. The entire actual cost or liabilities incurred by the Authority have been fully paid.

**Annual Contributions Contract C-5031**

1. The total amount of costs of the Capital Fund Grant is shown below:

<u>OH12P04250108</u>	
Funds Approved	\$ 341,267
Funds Expended	<u>341,267</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 341,267
Funds Expended	<u>341,267</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Grant Program has been completed.

3. The entire actual cost or liabilities incurred by the Authority have been fully paid.

**GEOUGA METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
<b><u>Public Housing Programs</u></b>		
Low Rent Public Housing Program	14.850	\$ 615,689
Capital Fund Program	14.872	<u>445,346</u>
<b>Total Public Housing Programs</b>		<u>1,061,035</u>
<b><u>Section 8 Tenant Based Programs</u></b>		
Section 8 Housing Choice Voucher Program	14.871	<u>971,793*</u>
<b>Total Section 8 Tenant Based Programs</b>		<u>971,793</u>
<b><u>Resident Opportunity and Support Services Program</u></b>		
Resident Opportunity and Support Services Program	14.870	<u>66,172</u>
<b>Total Resident Opportunity and Support Services Program</b>		<u>66,172</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>2,099,000</u>
<b>Total Federal Awards</b>		<u><u>\$ 2,099,000</u></u>

\* Includes \$59,000 in Family Self Sufficiency Program expenditures

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
5240 East 98<sup>th</sup> 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, 2011, which collectively comprise the Geauga Metropolitan Housing Authority's basic financial statements and have issued our report thereon dated June 14, 2012. 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**

Management of the Geauga Metropolitan Housing Authority is responsible for establishing and maintaining effective 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*.

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 14, 2012

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> 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, 2011. 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, 2011.

### **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 be 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 14, 2012

**GEAUGA METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
DECEMBER 31, 2011**

---

**1. SUMMARY OF AUDITOR'S RESULTS**

2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weaknesses reported at the financial statement level? (GAGAS)?	No
2011(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2011(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2011(iv)	Were there any material internal control weaknesses reported for major Federal programs?	No
2011(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2011(v)	Type of Major Programs' Compliance Opinion	Unqualified
2011(vi)	Are there any reportable findings under .510?	No
2011(vii)	Major Programs (list):  Housing Choice Voucher - CFDA #14.871	
2011(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2011(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, 2011**

---

---

The prior audit report, as of December 31, 2010, included no citations or management letter comments.



# 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  
AUGUST 21, 2012**