

Geauga Metropolitan Housing Authority
General Purpose Financial Statements
For the Year Ended December 31, 2002



**Auditor of State
Betty Montgomery**

Board of Directors
Geauga Metropolitan Housing Authority
Chardon, Ohio

We have reviewed the Independent Auditor's Report of the Geauga Metropolitan Housing Authority, Geauga County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 9, 2003

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GEAUGA METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2002

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8025 Corporate Circle, Suite 4
North Royalton, Ohio 44133
Phone: (440) 886-0482
Fax: (440) 886-0585

SALVATORE CONSIGLIO, CPA, INC.

E-mail: sconsiglio@aol.com

Independent Auditors' Report

Board of Directors
Geauga Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying general purpose financial statements of Geauga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Geauga Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these general purposes financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Geauga Metropolitan Housing Authority, Ohio, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

Member of American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants

In accordance with *Government Auditing Standards*, I have also issued a report dated June 23, 2003, on my consideration of Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

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



Salvatore Consiglio, CPA, Inc.

June 23, 2003

Geauga Metropolitan Housing Authority
 Combined Balance Sheet
 Proprietary Fund Type - Enterprise Fund
 December 31, 2002

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$197,375
Investments	653,699
Receivables - Net of Allowance	312,846
Inventory	28,576
Deferred Charges and Other Assets	<u>14,054</u>

TOTAL CURRENT ASSETS 1,206,550

Fixed Assets - Net of Accumulated Depreciation 9,976,580

TOTAL ASSETS \$11,183,130

LIABILITIES AND FUND EQUITY

CURRENT LIABILITES:

Accounts Payable	\$280,507
Intergovernmental Payables	22,176
Accrued Wages/Payroll Taxes	17,094
Tenant Security Deposits	57,394
Deferred Credits and Other Liabilities	4,897
Accrued Compensated Absences	<u>53,307</u>

TOTAL CURRENT LIABILITES 435,375

NONCURRENT LIABILITES:

Other Long-term Liabilities 39,471

TOTAL NONCURRENT LIABILITES 39,471

TOTAL LIABILITES 474,846

FUND EQUITY:

Contributed Capital	9,705,270
Unreserved Fund	<u>1,003,014</u>

TOTAL FUND EQUITY 10,708,284

TOTAL LIABILITIES AND FUND EQUITY \$11,183,130

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

Geauga Metropolitan Housing Authority
 Combined Statement of Revenue, Expenses and Change in Fund Equity
 Proprietary Fund Type
 Enterprise Fund
 For the Year Ended December 31, 2002

<u>REVENUE</u>	
Tenant Rental Revenue	\$506,670
Program Grant/Subsidies	1,900,481
Interest	18,570
Other Income	33,846
	<hr/>
TOTAL REVENUE	<u>2,459,567</u>
 <u>EXPENSES</u>	
Administrative	416,669
Utilities	250,306
Maintenance	328,435
General	99,947
Extraordinary Expenses	621
Housing Assistance Payments	702,713
Depreciation	736,637
	<hr/>
TOTAL EXPENSES	<u>2,535,328</u>
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER)	<u>-75,761</u>
Beginning Equity	10,780,953
Prior Period Adjustments	<u>3,092</u>
ENDING FUND EQUITY	<u><u>\$10,708,284</u></u>

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

Geauga Metropolitan Housing Authority
 Combined Statement of Cash Flows
 Proprietary Fund Type
 Enterprise Fund
 For the Year Ended December 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Operating Income/(Loss)	\$-75,761
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	736,637
- (Increases) Decreases in Accounts Receivable	320,676
- (Increases) Decreases in Prepaid Expenses	-3,847
- Increases (Decreases) Accounts Payable	-422,495
- Increases (Decreases) Tenant Security Deposit	667
- Increases (Decreases) Compensated Absences	30,665
- Increases (Decreases) Payroll and Payroll Taxes Payable	13,283
- Increases (Decreases) in Deferred Credits and Other Liabilities	-8,175
 Total Adjustments	 667,411
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 591,650

CASH FLOWS FROM INVESTING ACTIVITIES:

Change in Inventory	3,525
Purchase of Investments	-12,672
 NET CASH USED IN INVESTING ACTIVITIES	 -9,147

CASH FLOWS FROM FINANCING ACTIVITIES:

Purchase of Assets	-577,448
 NET CASH USED IN FINANCING ACTIVITIES	 -577,448
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 5,055
 CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	 192,320
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$197,375

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

The accompanying general purpose financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Accounting

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

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

Proprietary Fund Types

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

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

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2002 totaled \$18,570.

Fixed Assets

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

Cash and Cash Equivalents

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

Compensated Absences

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

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

Budgetary Accounting

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

Estimates

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

NOTE 2: CASH AND INVESTMENTS

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

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

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

Category 3 – Uncollateralized.

GEOUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits, categorized by level of risk, are:

<u>DESCRIPTION</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash and Cash					
Equivalents	\$206,082	\$206,082	\$0	\$0	\$197,375
Investments	662,981	662,981	0	0	653,699
Total Deposits	<u>\$869,063</u>	<u>\$869,063</u>	<u>\$0</u>	<u>\$0</u>	<u>\$851,074</u>

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

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

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

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

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

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

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

NOTE 4: 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, 2002 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

NOTE 4: RISK MANAGEMENT (Continued)

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

NOTE 5: FIXED ASSETS

The following is a summary:

Land	\$727,075
Buildings	14,905,839
Furniture, Machinery and Equipment	966,019
Leasehold Improvement	4,486,592
Construction in Progress	<u>252,773</u>
Total Fixed Assets	21,338,298
Accumulated Depreciation	<u>-11,361,718</u>
Net Fixed Assets	<u><u>\$9,976,580</u></u>

The following is a summary of changes:

	Balance					Balance
	12/31/01	Adjust.	Additions	Deletion		12/31/02
Land	\$727,975	\$0	\$0	\$0		\$727,975
Buildings	13,725,951	1,087,468	92,420	0		14,905,839
Furnt, Mach. and Equip.	971,184	0	29,610	-34,775		966,019
Leasehold Improvement	4,283,947	0	202,645	0		4,486,592
Construction in Progress	<u>1,087,468</u>	<u>-1,087,468</u>	<u>252,773</u>	<u>0</u>		<u>252,773</u>
 Total Fixed Assets	 <u>\$20,796,525</u>	 <u>\$ 0</u>	 <u>\$577,448</u>	 <u>\$-34,775</u>		 <u>\$21,339,198</u>

The depreciation expense for the year ended December 31, 2002 was \$736,637.

NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code establishes benefits. PERS issues a stand-alone financial report, which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

**NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM** (Continued)

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to PERS for the years ended December 31, 2002, 2001 and 2000 were \$52,572, \$56,430, and \$46,847, respectively. The full amount has been contributed for 2001 and 2000. Ninety-two percent has been contributed for 2002, with the remainder being reported as a liability with the enterprise fund.

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and postretirement health care through their contributions to PERS. The portion of employer contributions rate used to fund health care for 2002 and 2001 was 4.3 percent of cover payroll.

The significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually for inflation (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

Benefits are advance-funded using the entry age normal cost method. The number of active contributing participants was 411,076. The actuarial value of PERS of Ohio net assets available for OPEB at December 31, 2000 was \$11,735.9 million.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

NOTE 8: PRIOR PERIOD ADJUSTMENTS

Prior period adjustment in total of \$3,092 was necessary to properly reconcile the beginning balance sheet amounts per the accounting records with the amounts reported in prior audit report. The adjustments are as follows:

Low Rent Public Housing:

- Adjustment to properly restate expenses that should have been recorded as Capital Fund Program \$2,166

Housing Choice Voucher:

- HUD adjustment to 2001 administration fee earned 926

Total Prior Period Adjustment \$3,092

NOTE 9: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

The accompanying schedule of expenditure of federal award is a summary of the activity of the Authority's federal programs. This schedule has been prepared on the accrual basis of accounting.

NOTE 10: EQUITY AND OTHER CREDITS

The following is the change in Fund Equity for the year:

	Contributed Capital	Unreserved Fund Balance	Total
Balance as of December 31, 2001	\$9,314,295	\$1,466,658	\$10,780,953
GASB 33 Adjustment	390,975	-390,975	0
Net Loss	0	-75,761	-75,761
Prior Period Adjustment	0	3,092	3,092
Balance as of December 31, 2002	<u>\$9,705,270</u>	<u>\$1,003,014</u>	<u>\$10,708,284</u>

Geauga Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers Program	Public Housing Capital Fund Program	Total
ASSETS							
CURRENT ASSETS							
111	Cash - Unrestricted	\$59,175	\$0	\$0	\$55,075	\$0	\$114,250
114	Cash - Tenant Security Deposits	83,125	0	0	0	0	83,125
100	Total Cash	<u>142,300</u>	<u>0</u>	<u>0</u>	<u>55,075</u>	<u>0</u>	<u>197,375</u>
122	Accounts Receivable - HUD Other Projects	0	0	0	40,330	93	40,423
125	Accounts Receivable - Miscellaneous	252,705	0	0	0	0	252,705
126	Accounts Receivable - Tenants - Dwelling Rents	105,416	0	0	0	0	105,416
126.1	Allowance for Doubtful Accounts - Dwelling Rents	<u>-85,698</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-85,698</u>
120	Total Receivables, net of allowances for doubtful accounts	<u>272,423</u>	<u>0</u>	<u>0</u>	<u>40,330</u>	<u>93</u>	<u>312,846</u>
131	Investments - Unrestricted	526,903	0	0	126,796	0	653,699
142	Prepaid Expenses and Other Assets	13,952	0	0	102	0	14,054
143	Inventories	28,576	0	0	0	0	28,576
143.1	Allowance for Obsolete Inventories	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
150	Total Current Assets	<u>984,154</u>	<u>0</u>	<u>0</u>	<u>222,303</u>	<u>93</u>	<u>1,206,550</u>

Geauga Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers Program	Public Housing Capital Fund Program	Total
FIXED ASSETS							
161	Land	727,075	0	0	0	0	727,075
162	Buildings	14,627,345	0	0	0	278,494	14,905,839
163	Furniture, Equipment & Machinery - Dwellings	466,699	0	0	0	0	466,699
164	Furniture, Equipment & Machinery - Administration	494,563	0	0	4,757	0	499,320
165	Leasehold Improvements	4,360,377	0	0	0	126,215	4,486,592
166	Accumulated Depreciation	-11,347,744	0	0	-4,703	-9,271	-11,361,718
167	Construction In Progress	0	0	0	0	252,773	252,773
160	Total Fixed Assets, Net of Accumulated Depreciation	9,328,315	0	0	54	648,211	9,976,580
190	TOTAL ASSETS	\$10,312,469	\$0	\$0	\$222,357	\$648,304	\$11,183,130
LIABILITIES & EQUITY							
LIABILITY							
312	Accounts Payable <= 90 Days	\$27,531	\$0	\$0	\$252,883	\$93	\$280,507
321	Accrued Wage/Payroll Taxes Payable	17,094	0	0	0	0	17,094
322	Accrued Compensated Absences - Current Portion	53,307	0	0	0	0	53,307
333	Accounts Payable - Other Government	22,176	0	0	0	0	22,176
341	Tenant Security Deposits	57,394	0	0	0	0	57,394
342	Deferred Revenues	4,897	0	0	0	0	4,897
310	Total Current Liabilities	182,399	0	0	252,883	93	435,375

Geauga Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers Program	Public Housing Capital Fund Program	Total
NONCURRENT LIABILITIES							
353	Noncurrent Liabilities - Other	39,471	0	0	0	0	39,471
350	Total Noncurrent Liabilities	39,471	0	0	0	0	39,471
300	TOTAL LIABILITIES	221,870	0	0	252,883	93	474,846
EQUITY							
504	Net HUD PHA Contributions	9,633,934	0	0	0	0	9,633,934
507	Other Contributions	71,336	0	0	0	0	71,336
508	Total Contributed Capital	9,705,270	0	0	0	0	9,705,270
512	Undesignated Fund Balance/Retained Earnings	385,329	0	0	-30,526	648,211	1,003,014
513	Total Equity/Net Assets	10,090,599	0	0	-30,526	648,211	10,708,284
600	TOTAL LIABILITIES AND EQUITY	\$10,312,469	\$0	\$0	\$222,357	\$648,304	\$11,183,130

Geauga Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Fund Equity
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers Program	Public Housing Capital Fund Program	Total
REVENUE							
703	Net Tenant Rental Revenue	\$481,920	\$0	\$0	\$0	\$0	\$481,920
704	Tenant Revenue - Other	24,750	0	0	0	0	24,750
705	Total Tenant Revenue	506,670	0	0	0	0	506,670
706	HUD PHA Operating Grants	530,935	0	0	792,772	30,833	1,354,540
706.1	Capital Grants	0	0	0	0	545,941	545,941
711	Investment Income - Unrestricted	7,735	0	0	10,835	0	18,570
715	Other Revenue	33,796	0	0	0	0	33,796
716	Gain/Loss on Sale of Fixed Assets	50	0	0	0	0	50
700	TOTAL REVENUE	1,079,186	0	0	803,607	576,774	2,459,567
EXPENSES							
ADMINISTRATIVE							
911	Administrative Salaries	188,112	0	0	54,932	0	243,044
912	Auditing Fees	3,373	0	0	2,247	0	5,620
915	Employee Benefit Contributions - Administrative	49,859	0	0	17,356	0	67,215
916	Other Operating - Administrative	55,119	0	0	14,838	30,833	100,790

Geauga Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Fund Equity
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers Program	Public Housing Capital Fund Program	Total
UTILITIES							
931	Water	54,444	0	0	0	0	54,444
932	Electricity	80,098	0	0	0	0	80,098
933	Gas	38,632	0	0	0	0	38,632
938	Other Utilities Expense	77,132	0	0	0	0	77,132
MAINTENANCE							
941	Ordinary Maintenance and Operations - Labor	164,215	0	0	0	0	164,215
942	Ordinary Maintenance and Operations - Materials and Other	52,585	0	0	0	0	52,585
943	Ordinary Maintenance and Operations - Contract Costs	57,642	0	0	0	0	57,642
945	Employee Benefit Contributions - Ordinary Maintenance	53,993	0	0	0	0	53,993
GENERAL EXPENSES							
961	Insurance Premiums	53,978	0	0	409	0	54,387
962	Other General Expenses	7,770	0	0	0	0	7,770
963	Payments in Lieu of Taxes	22,177	0	0	0	0	22,177
964	Bad Debt – Tenant Rents	15,613	0	0	0	0	15,613
969	Total Operating Expenses	974,742	0	0	89,782	30,833	1,095,357

Geauga Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Fund Equity
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers Program	Public Housing Capital Fund Program	Total
970	Excess Operating Revenue over Operating Expenses	104,444	0	0	713,825	545,941	1,364,210
971	Extraordinary Maintenance	621	0	0	0	0	621
973	Housing Assistance Payments	0	0	0	702,713	0	702,713
974	Depreciation Expense	727,082	0	0	284	9,271	736,637
900	TOTAL EXPENSES	1,702,445	0	0	792,779	40,104	2,535,328
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	-623,259	0	0	10,828	536,670	-75,761
1103	Beginning Equity	9,735,765	975,927	-12,518	-29,762	111,541	10,780,953
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	978,093	-975,927	12,518	-11,592	0	3,092
	ENDING EQUITY	\$10,090,599	\$0	\$0	-\$30,526	\$648,211	\$10,708,284

Geauga Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Fund Equity
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers Program	Public Housing Capital Fund Program	Total
1112	Depreciation Add Back	\$698,658	\$0	\$0	\$0	\$0	\$698,658
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$149,507	\$0	\$149,507
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0	533,350	0	533,350
1115	Contingency Reserve, ACC Program Reserve	0	0	0	115,362	0	115,362
1116	Total Annual Contributions Available	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$798,219</u>	<u>\$0</u>	<u>\$798,219</u>
1120	Unit Months Available	2,904	0	0	2,052	0	4,956
1121	Number of Unit Months Leased	2,888	0	0	2,017	0	4,905

Geauga Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended December 31, 2002

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$530,935
Housing Choice Vouchers	14.871	792,772
Public Housing Capital Fund Program	14.872	<u>576,774</u>
TOTAL AWARDS		<u><u>\$1,900,481</u></u>

8025 Corporate Circle, Suite 4
North Royalton, Ohio 44133
Phone: (440) 886-0482
Fax: (440) 886-0585

SALVATORE CONSIGLIO, CPA, INC.

E-mail: sconsiglio@aol.com

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

Board of Directors
Geauga Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the general purpose financial statements of the Geauga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2002, and have issued my report thereon dated June 23, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period

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by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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



Salvatore Consiglio, CPA, Inc.

June 23, 2003

8025 Corporate Circle, Suite 4
North Royalton, Ohio 44133
Phone: (440) 886-0482
Fax: (440) 886-0585

SALVATORE CONSIGLIO, CPA, INC.

E-mail: sconsiglio@aol.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Geauga Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Geauga Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2002. Geauga Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Geauga Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Geauga Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Geauga Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

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Internal Control Over Compliance

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

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

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



Salvatore Consiglio, CPA, Inc.

June 23, 2003

Geauga Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.850, 14.871, 14.872 – Low Rent, Housing Choice Voucher & Capital Fund
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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There are no Findings or questioned costs for the year ended December 31, 2002

3. FINDINGS REALTED TO FEDERAL AWARDS
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There are no Findings or questioned costs for the year ended December 31, 2002

Geauga Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2002

The audit report for the fiscal year ending December 31, 2001 contained not audit finding.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

GEAUGA METROPOLITAN HOUSING AUTHORITY

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 30, 2003**