

**TUSCARAWAS METROPOLITAN
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

**FOR THE FISCAL YEAR
ENDED MARCH 31, 2016**

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



Dave Yost • Auditor of State

Board of Directors
Tuscarawas Metropolitan Housing Authority
134 Second Street, SW
New Philadelphia, Ohio 44663

We have reviewed the *Independent Auditors' Report* of the Tuscarawas Metropolitan Housing Authority, Tuscarawas County, prepared by James G. Zupka, CPA, Inc., for the audit period April 1, 2015 through March 31, 2016. 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 Tuscarawas 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

November 18, 2016

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**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE FISCAL YEAR ENDED MARCH 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of
Tuscarawas Metropolitan Housing Authority
New Philadelphia, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Tuscarawas Metropolitan Housing Authority, Ohio, (Housing Authority) as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Tuscarawas Metropolitan Housing Authority, Ohio, as of March 31, 2016, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the basic financial statements, the Housing Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and restated its net position at March 31, 2015 for business-type activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tuscarawas Metropolitan Housing Authority, Ohio's basic financial statements. The Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Financial Data Schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2016, on our consideration of the Tuscarawas 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tuscarawas Metropolitan Housing Authority, Ohio's internal control over financial reporting and compliance.



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

August 31, 2016

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

The Tuscarawas Metropolitan Housing Authority’s (the “Authority”) Management’s Discussion and Analysis is designed to **a)** assist the reader in focusing on significant financial issues, **b)** provide an overview of the Authority’s financial activity, **c)** identify changes in the Authority’s financial position (its ability to address the next and subsequent fiscal year challenges), and **d)** identify individual fund issues or concerns.

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and current known facts, please read it in conjunction with the Authority’s financial statements, which begin on page 14.

Financial Highlights

The current year financial highlights were separated to identify changes in the Tuscarawas Metropolitan Housing Authority and its component units separately.

- During fiscal year 2016, the Authority’s net position increased by \$70,985 and the component units net position decreased by \$38,293.
- The Authority’s revenue increased by \$529,008 and its component unit’s revenue increased by \$712.
- The total expenses of the Authority increased by \$160,777 and the component unit’s expenses increased by \$5,852.

Using This Annual Report

This report includes three major sections, the Management’s Discussion and Analysis (MD&A), the Basic Financial Statements, and Other Required Supplementary Information.

MD&A

Management’s Discussion and Analysis

Basic Financial Statements

Authority-Wide Financial Statements
Notes to the Basic Financial Statements

Other Required Supplementary Information

Financial Data Schedule
Required Supplementary Information - Schedule of Expenditures and Federal Awards

The primary focus of the Authority’s financial statement is on the Authority as a whole (Authority-wide).

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

Authority-Wide Financial Statements

The Authority-wide financial statements on pages 14 through 16 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. The financial statements of the Authority include component units which are more fully discussed in the Notes to the Financial Statements.

The statements include a Statement of Net Position, which is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities equal Net Position, 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 on the Statement of Net Position (the “Unrestricted Net Position”) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net position, formerly equity, are reported in three broad categories:

- *Net Investment in Capital Assets* This component of net position 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 Position* This component of net position consists of restricted assets when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
- *Unrestricted Net Position* Consists of net position that do not meet the definition of “Net Investment in Capital Assets”, or “Restricted Net Position”.

The Authority-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Net Position, which is similar to an Income Statement. This statement includes operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance, and depreciation, and non-operating revenues and expenses, such as grant revenue, investment income, and interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Net Position is the “Change in Net Position”, which is similar to net income or loss.

Finally, a Statement of Cash Flows on pages 16 is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

Fund Financial Statements

The Authority is accounted for using a single enterprise fund. The enterprise fund utilizes the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Some of the programs operated by the Authority are required to be reported separately by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Programs

Business-Type Program

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 adjusted household income.

Other Programs In addition to the program above, the Authority also operates the following programs:

- Business Activities - represents non-HUD resources primarily from housing management services.

Component Units

- Tuscarawas Affordable Housing Services Corporation is a not-for-profit corporation that provides low and moderate income housing services.
- Tuscarawas Affordable Housing One, LLC - a limited liability corporation that owns and manages Clay Village Apartments.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

New GASB 68 Reporting

During the current year, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employee's past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments. State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net pension at March 31, 2016, from \$127,758 to (\$36,676).

Authority-Wide Statements

The following is a condensed **Statement of Net Position** compared to the prior year-end. Tuscarawas Metropolitan Housing Authority is engaged only in business-type activities.

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

<u>Primary Government</u>	<u>2016</u>	<u>2015 *</u>
<u>Assets</u>		
Current Assets	\$ 337,597	\$ 198,593
Capital Assets	245,804	267,570
Deferred Outflows of Resources	79,232	14,540
Total Assets and Deferred Outflows of Resources	<u>\$ 662,633</u>	<u>\$ 480,703</u>
<u>Liabilities</u>		
Current Liabilities	\$ 39,854	\$ 53,760
Long-term Liabilities	582,317	460,496
Total Liabilities	<u>622,171</u>	<u>514,256</u>
Deferred Inflows of Resources	<u>6,153</u>	<u>3,123</u>
<u>Net Position</u>		
Net Investment in Capital Assets	29,104	42,570
Restricted	82,649	20,268
Unrestricted	(77,444)	(99,514)
Total Net Position	<u>34,309</u>	<u>(36,676)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Pension	<u>\$ 662,633</u>	<u>\$ 480,703</u>

*Restated

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

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

Authority-Wide Statements (Continued)

<u>Assets</u>	<u>Component Units</u>	
	<u>2016</u>	<u>2015</u>
Current Assets	\$ 77,811	\$ 74,074
Capital Assets	<u>1,122,235</u>	<u>1,162,777</u>
Total Assets	<u>\$1,200,046</u>	<u>\$ 1,236,851</u>
<u>Liabilities</u>		
Current Liabilities	\$ 125,788	\$ 107,929
Long-Term Liabilities	<u>1,426,856</u>	<u>1,443,227</u>
Total Liabilities	<u>1,552,644</u>	<u>1,551,156</u>
<u>Net Position</u>		
Net Investment in Capital Assets	79,008	104,583
Restricted	38,736	33,308
Unrestricted	<u>(470,342)</u>	<u>(452,196)</u>
Total Net Position	<u>(352,598)</u>	<u>(314,305)</u>
Total Liabilities and Net Position	<u>\$ 1,200,046</u>	<u>\$ 1,236,851</u>

For more detail information, see Statement of Net Position presented on page 12.

Major Factors Affecting the Statement of Net Position

Assets of the Authority increased by \$181,930 and liabilities increased by \$107,915. The increase in assets was mainly due to an increase in cash due from the result of current year activities. Total liabilities increase is due to an increase in amount held in escrow for participants in the family self-sufficiency program and an increase in compensated absence liability.

The Assets of the Authority's component units decreased by \$36,805 and the liabilities increased by \$1,488. The decrease in assets was due to current year depreciation expense.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

Table 2 presents details on the change in Net Position.

Table 2 - Change in Net Position			
Primary Government			
	<u>Investment In Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position</u>
Beginning Balance - March 31, 2015, Restated	\$ 42,570	\$ 20,268	\$ (99,514)
Results of Operation	0	62,381	8,604
Adjustments:			
Current Year Depreciation Expense (1)	(21,766)	0	21,766
Current Year Debt Activities, Net	<u>8,300</u>	<u>0</u>	<u>(8,300)</u>
Ending Balance - March 31, 2016	<u>\$ 29,104</u>	<u>\$ 82,649</u>	<u>\$ (77,444)</u>
Component Units			
	<u>Investment In Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position</u>
Beginning Balance - March 31, 2015	\$ 104,583	\$ 33,308	\$ (452,196)
Results of Operation	0	5,428	(43,721)
Adjustments:			
Current Year Depreciation Expense (1)	(52,848)	0	52,848
Capital Expenditure	12,306	0	(12,306)
Current Year Debt Activities, Net	<u>14,967</u>	<u>0</u>	<u>(14,967)</u>
Ending Balance - March 31, 2016	<u>\$ 79,008</u>	<u>\$ 38,736</u>	<u>\$ (470,342)</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on unrestricted net position.

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in unrestricted net position provides a clearer change in financial well-being.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

The following schedule reflects the condensed Statement of Revenues, Expenses, and Changes in Net Position compared to prior year and compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged in only business-type activities.

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

	2016	2015
<u>Primary Government</u>		
<u>Revenues</u>		
Operating Subsidies	\$ 2,507,966	\$ 1,993,971
Investment Income	48	43
Other Revenues	89,213	74,205
Total Revenues	2,597,227	2,068,219
<u>Expenses</u>		
Administrative	296,452	261,852
Tenant Services	50,648	44,880
Utilities	4,330	5,406
Maintenance	4,291	3,240
General and Interest Expenses	40,215	46,903
Housing Assistance Payments	2,087,269	1,973,396
HAP Portability - In	21,271	8,022
Depreciation	21,766	21,766
Total Expenses	2,526,242	2,365,465
Net Increases (Decreases)	\$ 70,985	\$ (297,246)
<u>Component Units</u>		
<u>Revenues</u>		
Total Tenant Revenues	\$ 170,007	\$ 169,296
Investment Income	6	5
Total Revenues	170,013	169,301
<u>Expenses</u>		
Administrative	32,470	34,671
Utilities	37,059	38,117
Maintenance	45,891	40,491
General and Interest Expenses	40,038	42,462
Depreciation	52,848	46,713
Total Expenses	208,306	202,454
Net Increases (Decreases)	\$ (38,293)	\$ (33,153)

Major Factors Affecting the Statement of Revenue, Expenses, and Changes in Net Position

The revenue of the Primary Government increased by \$529,008 for the fiscal year. The increase was due to grant funds received from HUD for housing assistance.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

The component units' revenue remained stable, reflecting a minor increase of \$712 due to tenant revenues.

Total expenses for the Primary Government increased by \$160,777 for the fiscal year. The main cause for the increase in expenses is due to housing assistance payments made during the year.

The component unit expenses increased for the year by \$5,852.

Capital Assets

As of March 31, 2016, the Primary Government had \$245,804 invested in capital assets and the component units had \$1,122,235, as reflected in the following schedule which represents a net decrease (additions, disposals, and depreciation) of \$21,766 for the Authority and \$40,542 for the component units in comparison with prior year.

Table 4 - Capital Assets at Year-End (Net of Depreciation)

Primary Government		
	2016	2015
Land and Land Rights	\$ 30,000	\$ 30,000
Buildings and Improvements	446,322	446,322
Equipment	73,363	73,363
Accumulated Depreciation	(303,881)	(282,115)
Total	\$ 245,804	\$ 267,570
Component Units		
	2016	2015
Land and Land Rights	\$ 100,000	\$ 100,000
Buildings	1,500,048	1,500,048
Equipment	134,138	121,832
Accumulated Depreciation	(611,951)	(559,103)
Total	\$ 1,122,235	\$ 1,162,777

The following reconciliation summarizes the change in capital assets, which is presented in detail on page 26 of the notes.

Table 5 - Change in Capital Assets

	Primary Government	Component Units
Beginning Balance - March 31, 2015	\$ 267,570	\$ 1,162,777
Current Year Additions	0	12,306
Current Year Depreciation Expense	(21,766)	(52,848)
Ending Balance - March 31, 2016	\$ 245,804	\$ 1,122,235
Current year additions are summarized as follows:		
- Equipment	\$ 0	\$ 12,306
Total 2016 Additions	\$ 0	\$ 12,306

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(Unaudited)**

Debt

The Authority's debt was reduced by \$8,300 and the component unit debt decreased by \$14,967 during fiscal year 2016. The following is a comparison of the debt outstanding at year end 2016 and year end 2015.

Table 6 - Changes in Debt Outstanding

	<u>Primary Government</u>	<u>Component Units</u>
Beginning Balance - March 31, 2015	\$ 225,000	\$ 1,058,194
Current Year Principal Payments	<u>(8,300)</u>	<u>(14,967)</u>
Ending Balance - March 31, 2016	<u>\$ 216,700</u>	<u>\$ 1,043,227</u>

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recession, and employment trends, which can affect resident incomes and therefore the amount of housing assistance
- Inflationary pressure on utility rates, supplies, and other costs.

Financial Contact

The individual to be contacted regarding this report is Martin Howell, Executive Director for the Tuscarawas Metropolitan Housing Authority, at (330) 308-8099. Specific requests may be submitted to the Authority at 134 2nd Street S.W., New Philadelphia, Ohio 44663.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2016

	Primary Government	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 47,453	\$ 10,296
Restricted Cash and Cash Equivalents	172,027	52,620
Receivables, Net	107,482	7,954
Prepaid Expenses and Other Assets	10,635	6,941
Total Current Assets	<u>337,597</u>	<u>77,811</u>
Noncurrent Assets		
Capital Assets:		
Non-Depreciable Capital Assets	30,000	100,000
Depreciable Capital Assets, Net	215,804	1,022,235
Total Capital Assets	<u>245,804</u>	<u>1,122,235</u>
Total Noncurrent Assets	<u>245,804</u>	<u>1,122,235</u>
Deferred Outflows of Resources	<u>79,232</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 662,633</u>	<u>\$ 1,200,046</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 4,530	\$ 2,500
Accrued Liabilities	26,724	4,901
Intergovernmental Payables	0	16,163
Tenant Security Deposits	0	13,884
Bonds, Notes, and Loans Payable	8,600	16,371
Other Current Liabilities	0	71,969
Total Current Liabilities	<u>39,854</u>	<u>125,788</u>
Noncurrent Liabilities		
Bonds, Notes, and Loans Payable	208,100	1,026,856
Accrued Compensated Absences - Noncurrent	40,895	0
Net Pension Liability Payable	252,544	0
Noncurrent Liabilities - Other	80,778	400,000
Total Noncurrent Liabilities	<u>582,317</u>	<u>1,426,856</u>
Total Liabilities	<u>622,171</u>	<u>1,552,644</u>
Deferred Inflows of Resources	<u>6,153</u>	<u>0</u>
NET POSITION		
Net Investment in Capital Assets	29,104	79,008
Restricted	82,649	38,736
Unrestricted	(77,444)	(470,342)
Total Net Position	<u>34,309</u>	<u>(352,598)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 662,633</u>	<u>\$ 1,200,046</u>

See accompanying notes to the basic financial statements.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016

	<u>Primary Government</u>	<u>Component Units</u>
<u>Operating Revenues</u>		
Tenant Revenue	\$ 0	\$ 170,007
Government Operating Grants	2,507,966	0
Other Revenue	89,213	0
Total Operating Revenues	<u>2,597,179</u>	<u>170,007</u>
<u>Operating Expenses</u>		
Administrative	296,452	32,470
Tenant Services	50,648	0
Utilities	4,330	37,059
Maintenance	4,291	45,891
General	29,809	24,471
Housing Assistance Payment	2,087,269	0
HAP Portability-In	21,271	0
Depreciation	21,766	52,848
Total Operating Expenses	<u>2,515,836</u>	<u>192,739</u>
Operating Income (Loss)	<u>81,343</u>	<u>(22,732)</u>
<u>Non-Operating Revenues (Expenses)</u>		
Interest and Investment Revenue	48	6
Interest Expense	(10,406)	(15,567)
Total Non-Operating Revenues (Expenses)	<u>(10,358)</u>	<u>(15,561)</u>
Change in Net Position	70,985	(38,293)
Total Net Position, Beginning of Year - Restated	<u>(36,676)</u>	<u>(314,305)</u>
Net Position, End of Year	<u>\$ 34,309</u>	<u>\$ (352,598)</u>

See accompanying notes to the basic financial statements.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016

	Primary Government	Component Units
<u>Cash Flows from Operating Activities</u>		
Operating Grants Received	\$ 2,478,714	\$ 0
Tenant Revenue Received	0	171,003
Other Revenue Received	89,213	0
General and Administrative Expenses Paid	(352,684)	(122,700)
Housing Assistance Payments	<u>(2,087,269)</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>127,974</u>	<u>48,303</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Retirement of Debt	(8,300)	(14,967)
Interest Paid on Debt	(10,406)	(15,567)
Property and Equipment Purchased, Net	<u>0</u>	<u>(12,306)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(18,706)</u>	<u>(42,840)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Earned	<u>48</u>	<u>6</u>
Net Cash Provided (Used) by Investing Activities	<u>48</u>	<u>6</u>
Net Increase (Decrease) in Cash and Cash Equivalents	109,316	5,469
Cash and Cash Equivalents, Beginning Of Year	<u>110,164</u>	<u>57,447</u>
Cash and Cash Equivalents, End of the Year	<u>\$ 219,480</u>	<u>\$ 62,916</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>		
Net Operating (Loss)	\$ 81,343	\$ (22,732)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	21,766	52,848
(Increase) Decrease in Accounts Receivable	(29,252)	996
(Increase) Decrease in Prepaid Assets	(436)	736
(Increase) Decrease in Deferred Outflows	(64,692)	0
Increase (Decrease) in Accounts Payable	2,118	883
Increase (Decrease) in Intergovernmental Payable	0	(29)
Increase (Decrease) in Accrued Payable	(4,683)	880
Increase (Decrease) in Other Current Liabilities	0	13,282
Increase (Decrease) in FSS Escrow	22,326	0
Increase (Decrease) in Tenant Security Deposits	0	1,439
Increase (Decrease) in Compensated Absence	31,402	0
Increase (Decrease) in Deferred Inflows	3,030	0
Increase (Decrease) in Pension Liability	76,693	0
Increase (Decrease) in Unearned Revenue	<u>(11,641)</u>	<u>0</u>
Net Cash Provided by Operating Activities	<u>\$ 127,974</u>	<u>\$ 48,303</u>

See accompanying notes to the basic financial statements.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Tuscarawas 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 Tuscarawas 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 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.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (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.

The accompanying financial statements present the Authority's primary government and the two component units, Tuscarawas Affordable Housing Service Corp. and Tuscarawas Affordable Housing One, LLC, over which the Authority exercises significant influence.

Component Units

The component units are reported in the Authority's financial statements as shown below:

Discretely Presented Component Unit

Brief Description and Relationship

Tuscarawas Affordable Housing Service Corp.

A not-for-profit (IRS section 501 (c) (3)) corporation created for the purpose of providing low and moderate income housing. Tuscarawas Metropolitan Housing Authority staff operates and manages the units. Four of the five Board Members are the same for both Agencies.

Discretely Presented Component Unit

Brief Description and Relationship

Tuscarawas Affordable Housing One, LLC

A limited liability corporation created for the purpose of ownership and management of Clay Village Apartments. Tuscarawas Affordable Housing One, LLC's fiscal year is a December 31 year end. The financial statements reflected in this report is for the fiscal year ending December 31, 2015.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

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

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance, contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

The Authority's basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows. The statements are prepared on the accrual basis of accounting.

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

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.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

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

Proprietary Fund Types

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

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

Description of Programs

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

A. 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.

B. Shelter Plus Care Program

The Shelter Plus Care Program - provides rental assistance for-hard-to-serve homeless persons with disabilities in connection with supportive services funded from sources outside the program. The Agency assists the ADAMHS Board administer this program.

C. Business Activities

Represents non-HUD resources primarily from housing management services.

D. Component Units

- Tuscarawas Affordable Housing Services Corporation is a not-for-profit corporation that provides low and moderate income housing services.
- Tuscarawas Affordable Housing One, LLC - a limited liability corporation that owns and manages Clay Village Apartments.

E. Community Home Improvement Program

Under this program, Tuscarawas Metropolitan Housing Authority assists the City of New Philadelphia, the City of Dover and Tuscarawas County with the administration of their tenant based rental assistance programs.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

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

Investments

Investments are restricted by the provisions of the HUD Regulations. Interest income earned by the Primary Government in the period was \$48. The interest income earned by Component Units for the period totaled \$6.

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 \$1,000 or more per unit. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	30 years
Building Improvements	10 years
Furniture, Equipment and Machinery	3-7 years

Net Position

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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 contributions 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.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

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

Restricted Cash

Restricted cash balance as of March 31, 2016 for the primary government and December 31, 2015 for the component unit represents cash on hand for the following:

	<u>Primary Government</u>	<u>Component Units</u>
FSS Escrow Funds held for Tenants	\$ 80,778	\$ 0
Reserve for Taxes and Insurance	0	1,981
Reserve for Replacements	0	36,755
Tenant Security Deposit	0	13,884
Reserved for Retirement of Debt	18,617	0
Cash on Hand Advances from HUD to be used For Tenants Housing Assistance Payments	<u>72,632</u>	<u>0</u>
 Total Restricted Cash	 <u>\$ 172,027</u>	 <u>\$ 52,620</u>

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 absences 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 expensed when earned with the amount reported as a fund liability.

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 basic financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 6.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are explained in Note 6.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2016, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported March 2015:

Net Position - March 31, 2015	\$ 127,758
Adjustments:	
Net Pension Liability	(175,851)
Deferred Inflows	(3,123)
Deferred Outflows	<u>14,540</u>
Restated Net Position - March 31, 2015	<u>\$ (36,676)</u>

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 3: **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 current two periods of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits 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 certificate 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 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 ended March 31, 2016, the carrying amount of the primary government's deposits totaled \$219,480 and its bank balance was \$220,599. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of March 31, 2016, the full amount was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of 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.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)

Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the 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.

Component Unit

The carrying amount of the Component Unit deposits was \$62,916 at December 31, 2015. It includes savings accounts and all certificates of deposit with original maturities of three months or less.

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 March 31, 2016 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

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TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 5: CAPITAL ASSETS

The following is a summary of the Authority's changes in capital assets:

	Primary Government			Balance March 31, 2016
	Balance March 31, 2015	Additions	Deletions	
Capital Assets Not Being Depreciated:				
Land	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Total Capital Assets Not Being Depreciated:	<u>30,000</u>	<u>0</u>	<u>0</u>	<u>30,000</u>
Capital Assets Being Depreciated:				
Buildings	437,765	0	0	437,765
Furniture, Machinery and Equipment	73,363	0	0	73,363
Leasehold Improvements	8,557	0	0	8,557
Total Capital Assets Being Depreciated	<u>519,685</u>	<u>0</u>	<u>0</u>	<u>519,685</u>
Accumulated Depreciation:				
Buildings	(211,033)	(16,215)	0	(227,248)
Furniture, Machinery and Equipment	(62,525)	(5,551)	0	(68,076)
Leasehold Improvements	(8,557)	(0)	0	(8,557)
Total Accumulated Depreciation	<u>(282,115)</u>	<u>(21,766)</u>	<u>0</u>	<u>(330,881)</u>
Total Capital Assets Being Depreciated, Net	<u>237,570</u>	<u>(21,766)</u>	<u>0</u>	<u>215,804</u>
Total Capital Assets, Net	<u>\$ 267,570</u>	<u>\$ (21,766)</u>	<u>\$ 0</u>	<u>\$ 245,804</u>
	Component Unit			
	Balance 01/01/15	Additions	Deletions	Balance 12/31/15
Capital Assets Not Being Depreciated:				
Land	\$ 100,000	\$ 0	\$ 0	\$ 100,000
Total Capital Assets Not Being Depreciated	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>100,000</u>
Capital Assets Being Depreciated:				
Buildings	1,500,048	0	0	1,500,048
Furniture, Machinery, and Equipment	121,832	12,306	0	134,138
Total Capital Assets Being Depreciated	<u>1,621,880</u>	<u>12,306</u>	<u>0</u>	<u>1,634,186</u>
Accumulated Depreciation	(559,103)	(52,848)	0	(611,951)
Total Capital Assets Being Depreciated, Net	<u>1,062,777</u>	<u>(40,542)</u>	<u>0</u>	<u>1,022,235</u>
Total Capital Assets, Net	<u>\$ 1,162,777</u>	<u>\$ (40,542)</u>	<u>\$ 0</u>	<u>\$ 1,122,235</u>

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TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN**

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority’s obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (CONTINUED)**

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Net Pension Liability (Continued)

Plan Description - Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2016
 (CONTINUED)**

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State
2015 Statutory Maximum Contribution Rates:	<u>and Local</u>
Employer	14.0%
Employee	10.0%
2015 Actual Contribution Rates:	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	<u>2.0%</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution for the year ended March 31, 2016 was \$21,725.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate Share of the Net Pension Liability	\$ 252,544
Proportion of the Net Pension Liability	0.001458%
Pension Expense	\$ 8,645

At March 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 74,232
Authority contributions subsequent to the measurement date	<u>5,000</u>
Total Deferred Outflows of Resources	<u>\$ 79,232</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 4,880
Changes in Proportion	<u>1,273</u>
Total Deferred Inflows of Resources	<u>\$ 6,153</u>

\$5,000 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending March 31:	
2017	\$ 16,245
2018	17,445
2019	18,922
2020	<u>15,467</u>
Total	<u>\$ 68,079</u>

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projections Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Actuarial Assumptions - OPERS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving the maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other Investments	18.00%	4.59%
Total	100.00%	5.28%

Discount Rate: The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all period of projected payments to determine the total pension liability.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority's proportionate share of the net pension liability	\$ 402,364	\$ 252,544	\$ 126,175

NOTE 7: **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 two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored 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. Please see the Plan Statement in the OPERS 2015 CAFR for details.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Plan Description** (Continued)

The Ohio Revised Code permits, but does not require, OPERS to provide healthcare to its eligible benefit recipients. Authority to establish and amend healthcare coverage is provided in Chapter 145 of the Ohio Revised Code.

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, 1-800-222-7377, or by visiting, www.opers.org/investments/cafr.shtml.

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 to fund OPERS healthcare plans.

Employer contribution rates are expressed as a percentage of the earnable salary payroll of active members. For the year ended March 31, 2016, 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 earnable salary for state and local employers. Active member contributions do not fund health care.

OPERS maintains that cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined Plans. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0 percent for calendar year 2015. As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.00 percent for the Traditional Plan. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of actual Authority contributions for the years ended March 31, 2016, 2015 and 2014, which were used by OPERS to fund post-employment benefits were \$3,621, \$3,622, and \$2,263, respectively.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2016
(CONTINUED)**

NOTE 8: LONG-TERM OBLIGATIONS

Tuscarawas Metropolitan Housing Authority (Primary Government)

In the fiscal year ending March 31, 2003, the Authority issued a \$300,000 mortgage revenue bond, for a 30 year period, series 2002, for the purpose of paying part of the cost of a construction of an office addition to the administration building. In addition the bonds issued were also used to refinance the existing mortgage loan of \$89,974 for the purchase of the administration building. The outstanding principal amount shall bear interest at the rate of 4.625 percent, calculated on a basis of actual number of days and a 365 day year.

The project was fully completed in February 2004 and the loan commenced on November 1, 2003.

The following is a summary of changes in long-term obligations debt for the year ended March 31, 2016:

<u>Description</u>	<u>Balance 03/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 03/31/16</u>	<u>Due Within One Year</u>
Mortgage Payable	\$ 225,000	\$ 0	\$ 8,300	\$ 216,700	\$ 8,600
Compensated Absences	26,833	24,972	0	51,805	10,910
Net Pension Liability	175,851	76,693	0	252,544	0
Total Primary Government	<u>\$ 427,684</u>	<u>\$ 101,665</u>	<u>\$ 8,300</u>	<u>\$ 521,049</u>	<u>\$ 19,510</u>

Debt maturities are as follows:

<u>Period Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 8,600	\$ 10,017	\$ 18,617
2018	9,100	9,517	18,617
2019	9,500	9,117	18,617
2020	9,900	8,717	18,617
2021	10,400	8,217	18,617
2022-2026	59,600	33,485	93,085
2027-2031	74,700	18,385	93,085
2032-After	<u>34,900</u>	<u>2,334</u>	<u>37,234</u>
Total	<u>\$ 216,700</u>	<u>\$ 99,789</u>	<u>\$ 316,489</u>

Tuscarawas Affordable Housing One, LLC (Component Unit)

On December 9, 2002, Tuscarawas Affordable Housing One, LLC assumed an outstanding loan balance of \$1,163,986 from an original loan of \$1,197,000 from Clay Village, Ltd. Partnership for the purchase of Clay Village Apartment building.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

Tuscarawas Affordable Housing One, LLC (Component Unit) (Continued)

The mortgage note is collateralized by the land, building and improvements, equipment and furnishings. The note bears interest at the rate of 9 percent per annum. Principal and interest are payable in monthly installments of \$9,132 reduced to \$2,554 (effective 1 percent interest rate) by USDA - Rural Development interest subsidy program through 2037. The mortgage liability is limited to the underlying value of the collateral pledged.

Under the loan agreement with USDA - Rural Development, the project is required to make monthly reserve for replacement deposits, and is subject to operating and returns to owner restrictions.

The following is a summary of changes in long-term debt obligations for the period:

<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/15</u>	<u>Due within</u> <u>One Year</u>
\$ 1,058,194	\$ 0	\$ (14,967)	\$ 1,043,227	\$ 16,371

Debt maturity for the next five years as reported on the Tuscarawas Affordable Housing One, LLC audit report are:

<u>Year</u>	<u>Amount</u>
2016	\$ 16,371
2017	17,906
2018	19,586
2019	21,424
2020	23,433
Thereafter	944,507
Total	<u>\$ 1,043,227</u>

NOTE 8: OTHER NON-CURRENT LIABILITIES (COMPONENT UNITS)

The component units of the Authority were advanced \$400,000 by development partners to be used for making improvements to Clay Village Apartments upon acquisition of the property by the Tuscarawas Affordable Housing One, LLC (component unit). Repayment of the amount advanced is only necessary in the event the property generates surplus cash. No amounts were repaid on the advance in this audit period.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS (1)**

	<u>2016</u>	<u>2015</u>
Authority's Proportion of the Net Pension Liability	0.001458%	0.001474%
Authority's Proportionate Share of the Net Pension Liability	\$ 252,544	\$ 175,851
Authority's Covered-Employee Payroll	\$ 181,044	\$ 181,900
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	139.49%	97.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%

(1) Information prior to fiscal year ended March 31, 2015 is not available.

Amount presented as of the Authority's fiscal year end.
The plan measurement date is the prior calendar year end.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS (1)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$ 21,725	\$ 21,731	\$ 23,085	\$ 19,629	\$ 19,566	\$ 19,095	\$ 16,872	\$ 13,294	\$ 18,005	\$ 18,539
Contributions In Relation to the Contractually Required Contribution	(21,725)	(21,731)	(23,085)	(19,629)	(19,566)	(19,095)	(16,872)	(13,294)	(18,005)	(18,539)
Contribution Deficiency/(Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Authority's Covered-Employee Payroll	\$ 181,044	\$ 181,090	\$ 176,221	\$ 192,441	\$ 191,824	\$ 212,167	\$ 203,277	\$ 187,239	\$ 211,824	\$ 203,725
Contributions as a Percentage of Covered-Employee - Payroll	12.00%	12.00%	13.10%	10.20%	10.20%	9.00%	8.30%	7.10%	8.50%	9.10%

(1) Information prior to 2013 is not available.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2016

	14.896 PIH Family Self- Sufficiency Program	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted		35,706	10,296	11,747	57,749		57,749
113 Cash - Other Restricted		172,027	38,736		210,763		210,763
114 Cash - Tenant Security Deposits			13,884		13,884		13,884
100 Total Cash	-	207,733	62,916	11,747	282,396	-	282,396
125 Accounts Receivable - Miscellaneous		71,969		7,643	79,612		79,612
126 Accounts Receivable - Tenants			7,954		7,954		7,954
128 Fraud Recovery		42,314			42,314		42,314
128.1 Allowance for Doubtful Accounts - Fraud		-14,444			-14,444		-14,444
120 Total Receivables, Net of Allowances for Doubtful Accounts	-	99,839	7,954	7,643	115,436	-	115,436
142 Prepaid Expenses and Other Assets		10,635	6,941		17,576		17,576
150 Total Current Assets	-	318,207	77,811	19,390	415,408	-	415,408
161 Land		30,000	100,000		130,000		130,000
162 Buildings		437,765	1,500,048		1,937,813		1,937,813
164 Furniture, Equipment & Machinery - Administration		73,363	134,138		207,501		207,501
165 Leasehold Improvements		8,557			8,557		8,557
166 Accumulated Depreciation		-303,881	-611,951		-915,832		-915,832
160 Total Capital Assets, Net of Accumulated Depreciation	-	245,804	1,122,235	-	1,368,039	-	1,368,039
180 Total Non-Current Assets	-	245,804	1,122,235	-	1,368,039	-	1,368,039
200 Deferred Outflow of Resources		79,232			79,232		79,232
290 Total Assets and Deferred Outflow of Resources	-	643,243	1,200,046	19,390	1,862,679	-	1,862,679
312 Accounts Payable <= 90 Days		4,530	2,500		7,030		7,030
321 Accrued Wage/Payroll Taxes Payable		15,814	3,656		19,470		19,470
322 Accrued Compensated Absences - Current Portion		10,910			10,910		10,910
325 Accrued Interest Payable			1,245		1,245		1,245
333 Accounts Payable - Other Government			16,163		16,163		16,163
341 Tenant Security Deposits			13,884		13,884		13,884
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds		8,600	16,371		24,971		24,971
345 Other Current Liabilities			71,969		71,969		71,969
310 Total Current Liabilities	-	39,854	125,788	-	165,642	-	165,642
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		208,100	1,026,856		1,234,956		1,234,956
353 Non-current Liabilities - Other		80,778	400,000		480,778		480,778
354 Accrued Compensated Absences - Non Current		40,895			40,895		40,895
357 Accrued Pension and OPEB Liabilities		252,544			252,544		252,544
350 Total Non-Current Liabilities	-	582,317	1,426,856	-	2,009,173	-	2,009,173
300 Total Liabilities	-	622,171	1,552,644	-	2,174,815	-	2,174,815
400 Deferred Inflow of Resources		6,153			6,153		6,153
508.4 Net Investment in Capital Assets		29,104	79,008		108,112		108,112
511.4 Restricted Net Position		82,649	38,736		121,385		121,385
512.4 Unrestricted Net Position		-96,834	-470,342	19,390	-547,786		-547,786
513 Total Equity - Net Assets / Position	-	14,919	-352,598	19,390	-318,289	-	-318,289
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	-	643,243	1,200,046	19,390	1,862,679	-	1,862,679

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2016

	14.896 PIH Family Self- Sufficiency Program	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue			161,079		161,079		161,079
70400 Tenant Revenue - Other			8,928		8,928		8,928
70500 Total Tenant Revenue	-	-	170,007	-	170,007	-	170,007
70600 HUD PHA Operating Grants	50,648	2,457,318			2,507,966		2,507,966
71100 Investment Income - Unrestricted		48	6		54		54
71400 Fraud Recovery		38,268			38,268		38,268
71500 Other Revenue		45,360		5,585	50,945		50,945
70000 Total Revenue	50,648	2,540,994	170,013	5,585	2,767,240	-	2,767,240
91100 Administrative Salaries		144,630	7,796	6,662	159,088		159,088
91200 Auditing Fees		8,555	3,050		11,605		11,605
91400 Advertising and Marketing		315			315		315
91500 Employee Benefit contributions - Administrative		86,643			86,643		86,643
91600 Office Expenses		38,307			38,307		38,307
91700 Legal Expense			882		882		882
91800 Travel		3,841			3,841		3,841
91900 Other		7,499	20,742		28,241		28,241
91000 Total Operating - Administrative	-	289,790	32,470	6,662	328,922	-	328,922
92100 Tenant Services - Salaries	35,271				35,271		35,271
92300 Employee Benefit Contributions - Tenant Services	15,377				15,377		15,377
92500 Total Tenant Services	50,648	-	-	-	50,648	-	50,648
93100 Water		550	26,888		27,438		27,438
93200 Electricity		2,957	10,171		13,128		13,128
93300 Gas		823			823		823
93000 Total Utilities	-	4,330	37,059	-	41,389	-	41,389
94100 Ordinary Maintenance and Operations - Labor			24,409		24,409		24,409
94200 Ordinary Maintenance and Operations - Materials and Other			9,741		9,741		9,741
94300 Ordinary Maintenance and Operations Contracts		4,291	11,741		16,032		16,032
94000 Total Maintenance	-	4,291	45,891	-	50,182	-	50,182
96110 Property Insurance			8,308		8,308		8,308
96120 Liability Insurance		2,813			2,813		2,813
96130 Workmen's Compensation		1,520			1,520		1,520
96100 Total Insurance Premiums	-	4,333	8,308	-	12,641	-	12,641
96210 Compensated Absences		9,891			9,891		9,891
96300 Payments in Lieu of Taxes			16,163		16,163		16,163
96400 Bad debt - Tenant Rents		15,585			15,585		15,585
96000 Total Other General Expenses	-	25,476	16,163	-	41,639	-	41,639
96710 Interest of Mortgage (or Bonds) Payable		10,406	15,567		25,973		25,973
96700 Total Interest Expense and Amortization Cost	-	10,406	15,567	-	25,973	-	25,973
96900 Total Operating Expenses	50,648	338,626	155,458	6,662	551,394	-	551,394
97000 Excess of Operating Revenue over Operating Expenses	-	2,202,368	14,555	-1,077	2,215,846	-	2,215,846
97300 Housing Assistance Payments		2,087,269			2,087,269		2,087,269
97350 HAP Portability-In		21,271			21,271		21,271
97400 Depreciation Expense		21,766	52,848		74,614		74,614
90000 Total Expenses	50,648	2,468,932	208,306	6,662	2,734,548	-	2,734,548
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-	72,062	-38,293	-1,077	32,692	-	32,692
11020 Required Annual Debt Principal Payments		8,600	16,163		24,763		24,763
11030 Beginning Equity		107,291	-314,305	20,467	-186,547		-186,547
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		-164,434			-164,434		-164,434
11170 Administrative Fee Equity		-57,713			-57,713		-57,713
11180 Housing Assistance Payments Equity		72,632			72,632		72,632
11190 Unit Months Available		6,451			6,451		6,451
11210 Number of Unit Months Leased		6,451			6,451		6,451

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED MARCH 31, 2016**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
Housing Choice Voucher Program	14.871	\$ 2,457,318
PIH Family Self-Sufficiency Program	14.896	<u>50,648</u>
Total Direct Awards		<u>2,507,966</u>
Total U.S. Department of Housing and Urban Development		<u>2,507,966</u>
Total Federal Awards Expenditures		<u><u>\$ 2,507,966</u></u>

This schedule is prepared on the accrual basis of accounting.

The Housing Authority did not elect to use the 10% de minimus cost rate.

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

*Certified Public Accountants
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**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**

To the Members of the Board of
Tuscarawas Metropolitan Housing Authority
New Philadelphia, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the 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, the financial statements of the business-type activities and the aggregate discretely presented component units of the Tuscarawas Metropolitan Housing Authority, Ohio, (Housing Authority) as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated August 31, 2016, wherein we noted that the Housing Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at March 31, 2015 for business-type activities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tuscarawas Metropolitan Housing Authority, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Tuscarawas Metropolitan Housing Authority, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tuscarawas Metropolitan Housing Authority, Ohio's internal control.

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 Tuscarawas Metropolitan Housing Authority, Ohio's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tuscarawas Metropolitan Housing Authority, Ohio's financial statements are free from 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 *Governmental Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tuscarawas Metropolitan Housing Authority, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tuscarawas Metropolitan Housing Authority, Ohio's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

August 31, 2016

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

*Certified Public Accountants
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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Members of the Board of
Tuscarawas Metropolitan Housing Authority
New Philadelphia, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Tuscarawas Metropolitan Housing Authority, Ohio's (Housing Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Tuscarawas Metropolitan Housing Authority, Ohio's major federal program for the year ended March 31, 2016. The Tuscarawas Metropolitan Housing Authority, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Tuscarawas Metropolitan Housing Authority, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Tuscarawas 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Tuscarawas Metropolitan Housing Authority, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the Tuscarawas Metropolitan Housing Authority, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2016.

Report on Internal Control over Compliance

Management of the Tuscarawas Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Tuscarawas Metropolitan Housing Authority, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 Tuscarawas 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

August 31, 2016

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
MARCH 31, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

2016(i)	Type of Financial Statement Opinion	Unmodified
2016(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2016(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2016(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2016(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2016(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2016(v)	Type of Major Programs' Compliance Opinion	Unmodified
2016(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2016(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA #14.871	
2016(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$750,000 Type B: all others
2016(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.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
MARCH 31, 2016**

The audit report for the prior year ended March 31, 2015 contained no findings or citations.



Dave Yost • Auditor of State

TUSCARAWAS COUNTY METROPOLITAN HOUSING AUTHORITY

TUSCARAWAS 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
DECEMBER 1, 2016**