

Tuscarawas Metropolitan Housing Authority

Financial statements

For the Year Ended March 31, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Tuscarawas Metropolitan Housing Authority
134 2nd Street SW
New Philadelphia, Ohio 44663

We have reviewed the Independent Auditor's Report of the Tuscarawas Metropolitan Housing Authority, Tuscarawas County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period April 1, 2003 to March 31, 2004. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 30, 2004

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TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2004

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Independent Auditors' Report

Board of Directors
Tuscarawas Metropolitan Housing
Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying financial statements of Tuscarawas Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Tuscarawas Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of the Tuscarawas Affordable Housing One, LLC, a component unit, which the financial statements reflect total assets of \$1,527,519 as of December 31, 2003 and total revenue of \$125,397 for the year then ended. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Tuscarawas Affordable Housing One, LLC, is based solely on the report of the other auditors.

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

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Tuscarawas Metropolitan Housing Authority, Ohio, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 10, 2004, on my consideration of Tuscarawas Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of our audit.

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



Salvatore Consiglio, CPA, Inc.

September 10, 2004

Tuscarawas Metropolitan Housing Authority
 Combined Balance Sheet
 Proprietary Fund Type
 Discretely Presented Component Unit
 March 31, 2004

	<u>Enterprise Fund</u>	<u>Component Unit</u>	<u>Total (Memo only)</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$146,887	\$19,638	\$166,525
Restricted Cash	0	132,853	132,853
Accounts Receivable – Net of Allowance	14,533	17,600	32,133
Investment	178,166	0	178,166
Interprogram Due From	13,540	0	13,540
Due From Component Unit	5,000	0	5,000
TOTAL CURRENT ASSETS	358,126	170,091	528,217
NONCURRENT ASSETS			
Fixed Assets - Net of Accumulated Depreciation	466,214	1,375,065	1,841,279
Other Assets	0	10	10
TOTAL NONCURRENT ASSETS	466,214	1,375,075	1,841,289
TOTAL ASSETS	\$824,340	\$1,545,166	\$2,369,506
<u>LIABILITIES AND FUND EQUITY</u>			
CURRENT LIABILITES:			
Accounts Payable	\$6,020	\$8,310	\$14,330
Due to Primary Government	0	5,000	5,000
Interprogram Due To	13,540	0	13,540
Intergovernmental Payable	14,637	12,861	27,498
Accrued expenses/expenditures	0	2,108	2,108
Accrued Wages and Payroll Taxes	20,597	1,838	22,435
Tenant Security Deposit Payable	0	9,514	9,514
Deferred credits and other liabilities	5,100	5,582	10,682
TOTAL CURRENT LIABILITES	59,894	45,213	105,107
NONCURRENT LIABILITES			
Long-term Debt Net of Current	290,100	1,152,657	1,442,757
Other Long-term Liabilities	64,415	254,625	319,040
TOTAL NONCURRENT LIABILITES	354,515	1,407,282	1,761,797
TOTAL LIABILITES	414,409	1,452,495	1,866,904

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

Tuscarawas Metropolitan Housing Authority
 Combined Balance Sheet
 Proprietary Fund Type
 Discretely Presented Component Unit
 March 31, 2004

	<u>Enterprise Fund</u>	<u>Component Unit</u>	<u>Total (Memo only)</u>
FUND EQUITY			
Contributed Capital	215,010	0	215,010
Retained Earnings – Unreserved	194,921	(40,182)	154,739
Retained Earnings – Reserved	0	132,853	132,853
TOTAL FUND EQUITY	409,931	92,671	502,602
TOTAL LIABILITIES AND FUND EQUITY	\$824,340	\$1,545,166	\$2,369,506

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

Tuscarawas Metropolitan Housing Authority
 Combined Statement of Revenue, Expenses and Change in Equity
 Proprietary Fund Type
 Discretely Presented Component Unit
 For the Year Ended March 31, 2004

	<u>Enterprise Fund</u>	<u>Component Unit</u>	<u>Total (Memo only)</u>
<u>REVENUE</u>			
Dwelling Rental Income	\$0	\$124,626	\$124,626
Program Grants/Subsidies	2,099,676	0	2,099,676
Interest	1,082	771	1,853
Other Income	21,896	16,410	38,306
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	2,122,654	141,807	2,264,461
<u>EXPENSES</u>			
Administrative Expenses	341,708	34,646	376,354
Utilities Expenses	2,947	22,888	25,835
Ordinary Maintenance and Operation	9,767	25,005	34,772
Protective Services	0	0	0
General Expenses	4,748	21,113	25,861
Housing Assistance Expenses	1,745,085	0	1,745,085
Interest Expense	8,233	27,650	35,883
Depreciation Expense	19,951	39,742	59,693
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	2,132,439	171,044	2,303,483
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(9,785)	(29,237)	(39,022)
BEGINNING EQUITY	419,550	121,908	541,458
PRIOR PERIOD ADJUSTMENTS	166	0	166
	<hr/>	<hr/>	<hr/>
ENDING FUND EQUITY	\$409,931	\$92,671	\$502,602

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

Tuscarawas Metropolitan Housing Authority
 Combined Statement of Cash Flows
 Proprietary Fund Type
 Discretely Presented Component Unit
 For the Year Ended March 31, 2004

	<u>Enterprise Fund</u>	<u>Component Unit</u>	<u>Total (Memo only)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Operating Income/(Loss)	(\$9,785)	(\$29,237)	(\$39,022)
Adjustment to Reconcile Operating Income to Net Cash Used by Operating Activities:			
-Depreciation	19,951	39,742	59,693
-(Increases) Decreases in Accts Receivable	20,586	(17,600)	2,986
-Increases (Decreases) Accrues Accrued Real Estate Taxes	0	5,123	5,123
-Increases (Decreases) Accounts Payable	(1,792)	8,310	6,518
-Increases (Decreases) Accounts Payable HUD	(69,427)	0	(69,427)
-Increases (Decreases) Accrues Compensated Absences	7,514	0	7,514
-Increases (Decreases) Accrued Wages and Payroll Taxes	2,321	1,838	4,159
-Increases (Decreases) Accrues Mortgage Interest Payable	0	2,108	2,108
-Increases (Decreases) Current Mortgage Payable	0	4,334	4,334
-Increases (Decreases) Tenant Security Deposit Payables	0	(1,101)	(1,101)
-Increases (Decreases) FSS Escrow Payables	(28,740)	0	(28,740)
Total Adjustments	(49,587)	42,754	(6,833)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(59,372)	13,517	(45,855)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of Property and Equipment	(238,532)	(14,604)	(253,136)
Cash Transfer To Investment Account	(54,453)	0	(54,453)
NET CASH USED IN INVESTING ACTIVITIES	(292,985)	(14,604)	(307,589)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principle Mortgage and Note Payments	(4,800)	(10,081)	(14,881)
Proceeds from Loan	198,596	0	198,596
NET CASH USED IN FINANCING ACTIVITIES	193,796	(10,081)	183,715
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(158,561)	(11,168)	(169,729)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	305,448	163,659	469,107
CASH AND CASH EQUIVALENTS - END OF YEAR	\$146,887	\$152,491	\$299,378

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

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

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 OPERSONS 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 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2004
 (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Component Units

The component unit is reported in the Authority financial statements as shown below:

<i><u>Discretely Presented Component Unit</u></i>	<i><u>Brief Description and Relationship</u></i>
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.
Tuscarawas Affordable Housing One, LLC	A limited liability corporation created for the purpose of ownership and management of Clay Village Apartment. Its officers are TMHA Executive Director, Assistant Director and Board Member. Tuscarawas Affordable Housing One, LLC fiscal year is on December 31 year end. The financial statements reflected in this report are for the fiscal year ending December 31, 2003.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

Proprietary Fund Types

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

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

Measurement Focus/Basis of Accounting

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

Tuscarawas Affordable Housing Service Corp. and Tuscarawas Affordable Housing One, LLC uses the full accrual basis of accounting.

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year ending March 31, 2004 totaled \$1,082. The interest income earned by Component Units for the fiscal year ending December 31, 2003 totaled \$771.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash represent money held for Tenant Security Deposit, Taxes/Insurance payment and Replacement Reserve.

Compensated Absences

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

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

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

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

Budgetary Accounting

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

Estimates

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

Total Columns (Memorandum Only)

Total columns on the financial statements are captioned “memo only” to indicate that they are presented only to aid in financial analysis.

NOTE 2: CASH AND INVESTMENTS

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

- Category 1 – Insured or collateralized with securities held by the PHA or by its agent in the PHA’s name.
- Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the PHA’s name.
- Category 3 – Uncollateralized.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK BALANCE	CATEGORY			CARRYING AMOUNT
		1	2	3	
Cash and Cash Equivalents:					
Primary Government	\$151,082	\$151,082	\$0	\$0	\$146,887
Component Units	152,491	152,491	0	0	152,491
Total Deposits	\$303,573	\$303,573	\$0	\$0	\$299,378

The carrying amount above included \$100 of petty cash.

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

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

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

- Category 1 – Insured, registered, or securities held by the PHA or its agent in the PHA’s name.
- Category 2 – Uninsured and unregistered, with securities held by the counterpart’s trust department or agent in the PHA’s name.
- Category 3 – Uninsured and unregistered, with securities held by the counterpart, or its trust department or agent but not in the PHA’s name.

DESCRIPTION	CATEGORY			Fair Value/ Carrying Amount	CARRYING AMOUNT
	1	2	3		
Market Index Fund:					
Primary Government	\$178,166	\$ 0	\$0	\$178,166	\$178,166
Component Units	0	0	0	-0-	-0-
Total Deposits	\$178,166	\$ 0	\$ 0	\$178,166	\$178,166

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2004
 (CONTINUED)

NOTE 3: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

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, 2004 the Authority contracted with AUSCO Insurance Company for Directors and Officers liability coverage of \$500,000 in the aggregate, and Westfield Insurance Companies for Property coverage: building coverage of \$225,500, business property of \$15,000, fire and legal \$50,000, liability and medical of \$2,000,000, and employee dishonesty coverage of \$50,000.

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

NOTE 5: FIXED ASSETS

Tuscarawas Metropolitan Housing Authority (Primary Government)

The following is a summary of the fixed assets:

Land	\$30,000
Buildings	421,128
Furniture and Equipment – Administrative	78,141
Leasehold Improvement	8,557
Total Fixed Assets	537,826
Accumulated Depreciation	(71,612)
Net Fixed Assets	\$466,214

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 5: FIXED ASSETS (Continued)

The following is a summary of changes in fixed assets:

	Balance <u>03/31/03</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Deletion</u>	Balance <u>03/31/04</u>
Land	\$30,000	\$0	\$0	\$0	\$30,000
Buildings	193,474	24,004	203,650	0	421,128
Furniture and Equipment					
Administrative	57,341	0	26,325	(5,525)	78,141
Leasehold Improvement	0	0	8,557	0	8,557
Construction in Progress	24,004	(24,004)	0	0	0
Total Fixed Assets	<u>\$304,819</u>	<u>\$0</u>	<u>\$238,532</u>	<u>(\$5,525)</u>	<u>\$537,826</u>

The depreciation expense For the Year Ended March 31, 2004 was \$19,951.

Tuscarawas Affordable Housing One, LLC (Component Unit)

The following is a summary of the fixed assets:

Land	\$100,000
Buildings	1,278,201
Furniture and Equipment – Dwelling	36,606
Total Fixed Assets	<u>1,414,807</u>
Accumulated Depreciation	<u>(39,742)</u>
Net Fixed Assets	<u>\$1,375,065</u>

The following is a summary of changes:

	Balance <u>03/31/03</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Deletion</u>	Balance <u>03/31/04</u>
Land	\$100,000	\$0	\$0	\$0	\$100,000
Buildings	1,300,203	(22,002)	0	0	1,278,201
Furniture and Equipment					
Dwelling	0	22,002	14,604	0	36,606
Total Fixed Assets	<u>\$1,400,203</u>	<u>\$0</u>	<u>\$14,604</u>	<u>\$0</u>	<u>\$1,414,807</u>

The depreciation expense For the Year Ended March 31, 2004 was \$39,742.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

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

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to OPERS for the years ended March 31, 2004, 2003 and 2002 were \$39,802, \$35,223, and \$21,108, respectively. The full amount has been contributed for 2004, 2003 and 2002.

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

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years

of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2003 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2003 was 5.0 percent of covered payroll, which amounted to \$9,122. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2004
 (CONTINUED)

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

OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

NOTE 8: MORTGAGE PAYABLE

Tuscarawas Metropolitan Housing Authority (Primary Government)

In the fiscal year ending March 31, 2003, the Authority issued \$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%, calculated on 365 day year.

The project was fully completed in February 2004. At this time the loan started amortizing.

The following is a summary of changes in long-term debt for the year ended March 31, 2004:

DESCRIPTION	BALANCE 03/31/03	ISSUED	RETIRED	BALANCE 03/31/04
Mortgage Payable	\$101,404	\$198,596	\$4,800	\$295,200

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2004
 (CONTINUED)

NOTE 8: MORTGAGE PAYABLE (Continued)

Debt maturities for the next five years are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
March 31 2005	\$5,100
2006	5,200
2007	5,500
2008	5,800
2009	6,000
Later Years	<u>267,600</u>
Total all years	<u><u>\$295,200</u></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.

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

Under the loan agreement with FmHA, 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 debt maturity for the next five years:

<u>YEAR</u>	<u>AMOUNT</u>
December 31, 2004	\$5,582
2005	6,106
2006	6,678
2007	7,305
2008	7,990
Late Years	<u>1,124,578</u>
Total	<u><u>\$1,158,239</u></u>

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 9: PRIOR PERIOD ADJUSTMENTS

The prior period adjustments of \$166 represent adjustment made by HUD to the administration fee earned for the fiscal ending March 31, 2003.

Tuscarawas Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type - Enterprise Fund
March 31, 2004

Line Item No.	Account Description	Housing Choice Vouchers	Business Activity	Component Units	Total
111	Cash – Unrestricted	\$88,730	\$2,678	\$19,638	\$111,046
113	Cash - Other Restricted	55,479	0	132,853	188,332
100	Total Cash	144,209	2,678	152,491	299,378
125	Accounts Receivable – Miscellaneous	14,533	0	6,410	20,943
126	Accounts Receivable - Tenants - Dwelling Rents	0	0	11,190	11,190
126.1	Allowance for Doubtful Accounts - Dwelling Rents	0	0	0	0
126.2	Allowance for Doubtful Accounts – Other	0	0	0	0
120	Total Receivables, net of allowances for doubtful accounts	14,533	0	17,600	32,133
131	Investments – Unrestricted	178,166	0	0	178,166
144	Interprogram Due From	11,000	7,540	0	18,540
150	Total Current Assets	347,908	10,218	170,091	528,217
161	Land	30,000	0	100,000	130,000
162	Buildings	421,128	0	1,278,201	1,699,329
163	Furniture, Equipment & Machinery - Dwellings	0	0	36,606	36,606
164	Furniture, Equipment & Machinery - Administration	78,141	0	0	78,141
165	Leasehold Improvements	8,557	0	0	8,557
166	Accumulated Depreciation	(71,612)	0	(39,742)	(111,354)
160	Total Fixed Assets, Net of Accumulated Depreciation	466,214	0	1,375,065	1,841,279
174	Other Assets	0	0	10	10
180	Total Non-Current Assets	466,214	0	1,375,075	1,841,289
190	Total Assets	\$814,122	\$10,218	\$1,545,166	\$2,369,506
312	Accounts Payable <= 90 Days	\$6,020	\$0	\$8,310	\$14,330
321	Accrued Wage/Payroll Taxes Payable	6,867	0	1,838	8,705
322	Accrued Compensated Absences - Current Portion	13,730	0	0	13,730
325	Accrued Interest Payable	0	0	2,108	2,108
331	Accounts Payable - HUD PHA Programs	14,637	0	0	14,637
333	Accounts Payable - Other Government	0	0	12,861	12,861
341	Tenant Security Deposits	0	0	9,514	9,514
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	5,100	0	5,582	10,682
347	Interprogram Due To	7,540	6,000	5,000	18,540
310	Total Current Liabilities	53,894	6,000	45,213	105,107
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	290,100	0	1,152,657	1,442,757
354	Accrued Compensated Absences - Non Current	8,936	0	0	8,936
353	Noncurrent Liabilities – Other	55,479	0	254,625	310,104
350	Total Noncurrent Liabilities	354,515	0	1,407,282	1,761,797
300	Total Liabilities	408,409	6,000	1,452,495	1,866,904

Tuscarawas Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type
Enterprise Fund
Year Ended March 31, 2004

Line Item No.	Account Description	Housing Choice Vouchers	Business Activity	Component Units	Total
703	Net Tenant Rental Revenue	\$0	\$0	\$120,256	\$120,256
704	Tenant Revenue – Other	0	0	4,370	4,370
705	Total Tenant Revenue	0	0	124,626	124,626
706	HUD PHA Operating Grants	2,099,676	0	0	2,099,676
711	Investment Income - Unrestricted	1,082	0	771	1,853
714	Fraud Recovery	8,033	0	0	8,033
715	Other Revenue	32	13,831	16,410	30,273
700	Total Revenue	2,108,823	13,831	141,807	2,264,461
911	Administrative Salaries	171,652	7,198	9,124	187,974
912	Auditing Fees	3,531	0	2,000	5,531
914	Compensated Absences	7,514	0	0	7,514
915	Employee Benefit Contributions - Administrative	89,816	0	0	89,816
916	Other Operating - Administrative	59,582	2,415	23,522	85,519
931	Water	184	0	14,092	14,276
932	Electricity	2,182	0	5,385	7,567
933	Gas	581	0	0	581
938	Other Utilities Expense	0	0	3,411	3,411
941	Ordinary Maintenance and Operations - Labor	0	0	11,080	11,080
942	Ordinary Maintenance and Operations - Materials and Other	2,706	0	8,775	11,481
943	Ordinary Maintenance and Operations - Contract Costs	7,061	0	5,150	12,211
961	Insurance Premiums	4,748	0	5,537	10,285
963	Payments in Lieu of Taxes	0	0	13,727	13,727
964	Bad Debt - Tenant Rents	0	0	1,849	1,849
967	Interest Expense	8,233	0	27,650	35,883
969	Total Operating Expenses	357,790	9,613	131,302	498,705
970	Excess Operating Revenue over Operating Expenses	1,751,033	4,218	10,505	1,765,756
973	Housing Assistance Payments	1,745,085	0	0	1,745,085
974	Depreciation Expense	19,951	0	39,742	59,693
900	Total Expenses	2,122,826	9,613	171,044	2,303,483
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(14,003)	4,218	(29,237)	(39,022)
1103	Beginning Equity	419,550	0	121,908	541,458
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	166	0	0	166
	Ending Equity	\$405,713	\$4,218	\$92,671	\$502,602
1102	Debt Principal Payments - Enterprise Funds	\$4,800	\$0	\$10,081	\$14,881

Tuscarawas Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type
Enterprise Fund
Year Ended March 31, 2004

Line Item No.	Account Description	Housing Choice Vouchers	Business Activity	Component Units	Total
1113	Maximum Annual Contributions Commitment (Per ACC)	\$2,114,313	\$0	\$0	\$2,114,313
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0	0
1115	Contingency Reserve, ACC Program Reserve	295,171	0	0	295,171
1116	Total Annual Contributions Available	\$2,409,484	\$0	\$0	\$2,409,484
1120	Unit Months Available	6,888	0	480	7,368
1121	Number of Unit Months Leased	6,865	0	452	7,317

Tuscarawas Metropolitan Housing Authority
 Schedule of Expenditure of Federal Award
 For the Year Ended March 31, 2004

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
<hr/>		
U.S. Department of Housing and Urban Development Direct Program		
Housing Choice Voucher Program	14.871	<u>\$2,099,676</u>
Total Housing Choice Voucher Program		<u>2,099,676</u>
Total Expenditure of Federal Award		<u><u>\$2,099,676</u></u>



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

Board of Directors
Tuscarawas Metropolitan Housing
Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the financial statements of the Tuscarawas Metropolitan Housing Authority, Ohio, as of and For the Year Ended March 31, 2004, and have issued my report thereon dated September 10, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Salvatore Consiglio". The signature is written in a cursive style. To the left of the signature is a vertical line, and below the signature is a horizontal line.

Salvatore Consiglio, CPA, Inc.

September 10, 2004



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

Board of Directors
Tuscarawas Metropolitan Housing
Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Tuscarawas Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs For the Year Ended March 31, 2004. Tuscarawas Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Tuscarawas Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Tuscarawas Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Tuscarawas Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs For the Year Ended March 31, 2004.

Internal Control Over Compliance

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

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

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



Salvatore Consiglio, CPA, Inc.

September 10, 2004

Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505

Tuscarawas Metropolitan Housing Authority
March 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

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

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There are no Findings or questioned costs For the Year Ended March 31, 2004.

3. FINDINGS REALTED TO FEDERAL AWARDS

There are no Findings or questioned costs For the Year Ended March 31, 2004.

Tuscarawas Metropolitan Housing Authority
Schedule of Prior Audit Findings
March 31, 2004

The audit report for the fiscal year ended March 31, 2003 contained no audit findings.



**Auditor of State
Betty Montgomery**

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TUSCARAWAS 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 14, 2004**