

Tuscarawas Metropolitan Housing Authority

Basic financial statements

For the Year Ended March 31, 2005





**Auditor of State  
Betty Montgomery**

Board of Directors  
Tuscarawas Metropolitan Housing Authority  
New Philadelphia, Ohio

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, 2004 through March 31, 2005. 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

December 23, 2005

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TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED MARCH 31, 2005

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Statement of Net Assets	10-11
Statement of Revenue, Expenses and Change in Net Assets	12
Statement of Cash Flows	13-14
Notes to the Basic Financial Statements	15-28
Supplemental Data:	
Financial Data Schedules	29-32
Schedule of Expenditures of Federal Awards	33
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	34-35
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	36-37
Schedule of Findings and Questioned Costs	38
Schedule of Prior Audit Findings	39



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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 the business-type activities, and the aggregate discretely presented component unit of the Tuscarawas Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2005, which collectively comprise the Authority basic financial statements, 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 represent 64 percent, and 6 percent, respectively, of the assets and total revenue of Tuscarawas Metropolitan Housing Authority, Ohio. Those financial 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 respective financial position of the business-type activities, and the aggregate discretely presented component unit of the Tuscarawas Metropolitan Housing Authority, Ohio, as of March 31, 2005 the respective change in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board (GASB) Statement No. 34, Basic financial statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended and interpreted, as of April 1, 2004.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 7, 2005, 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 agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of my audit.

The Management’s Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tuscarawas Metropolitan Housing Authority basic financial statements. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in my opinion, based on my audit and the report of other auditors, are fairly stated in all material respect in relation to the basic financial statements taken as a whole.



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Salvatore Consiglio, CPA, Inc.

November 7, 2005

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**March 31, 2005**

**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 10.

**Financial Highlights**

- During fiscal year 2005, the Authority's net assets increased by \$22,362, or 4.5 percent. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were \$524,964 and \$502,602 for fiscal year 2005 and fiscal year 2004, respectively.
- The Authority's revenue increased by \$24,227, or 1.07 percent during fiscal year 2005. Revenue for fiscal year 2005 and fiscal year 2004 was \$2,288,668 and \$2,264,461, respectively.
- The total expenses of the Authority decreased by \$41,290, or 1.8 percent. Total expenses for fiscal year 2005 and fiscal year 2004 were \$2,262,193 and \$2,303,483, respectively.

**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**

Required Supplementary Information - Financial Data Schedules



**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**March 31, 2005**

**Unaudited**

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

**Authority-Wide Financial Statements**

The Authority-wide financial statements on pages 10 through 14 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 Assets, which is similar to a balance sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities equal Net Assets, formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "current" (convertible into cash within one year) and "non-current".

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

- Net Assets, Invested in Capital Assets, Net of Related Debt This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Assets This component of net assets consists of restricted assets when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
- Unrestricted Net Assets Consists of net assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Assets, 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 Fund Net Assets is the "Change in Net Assets", which is similar to net income or loss.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**March 31, 2005**

**Unaudited**

Finally, a Statement of Cash Flows on page 13 is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**Fund Financial Statements**

The Authority is accounted for as an enterprise fund. Enterprise funds utilize the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Some of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

**The Authority's Funds**

Business-Type Funds

*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 programs 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**  
**March 31,2005**

**Unaudited**

**Authority-Wide Statements**

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

**Table 1 - Statement of Net Assets**

	FY 2005	Restated FY 2004
<b>Assets</b>		
Current and Other Assets	\$ 522,645	\$ 514,687
Capital Assets	1,965,453	1,841,279
<b>Total Assets</b>	<u>2,488,098</u>	<u>2,355,966</u>
<b>Liabilities</b>		
Current Liabilities	80,125	91,567
Noncurrent Liabilities	1,883,009	1,761,797
<b>Total Liabilities</b>	<u>1,963,134</u>	<u>1,853,364</u>
<b>Net Assets</b>		
Invested in Capital Assets	522,696	387,840
Restricted	57,622	132,853
Unrestricted	(55,354)	(18,091)
<b>Total Net Assets</b>	<u>\$ 524,964</u>	<u>\$ 502,602</u>

For more detailed information, see page 10 for the Statement of Net Assets.

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

Assets were increased by \$132,132 and liabilities were reduced by \$109,770. Most of the increase in current assets was related to capital asset additions.

Capital assets changed significantly, increasing from \$1,841,279 to \$1,965,453. The \$124,174 increase can be attributed to a combination of acquisitions less current year depreciation. For more detail, see Capital Assets and Debt Administration below.

Table 2 presents details on the change in Unrestricted Net Assets.

**Table 2 - Change of Net Assets**

	Investment in Capital Assets	Restricted	Unrestricted
Net Assets at March 31, 2004	\$387,840	\$132,853	(\$18,091)
Results of Operations	0	0	26,495
Adjustments:			
Depreciation (1)	(68,625)	0	68,625
Adjustment from HUD (2)	0	0	(4,133)
Capital Expenditures - Net	192,799	(75,231)	(117,568)
Debt Payment	10,682	0	(10,682)
Net Assets at March 31, 2005	<u>\$522,696</u>	<u>\$57,622</u>	<u>(\$55,354)</u>

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**March 31, 2005**

**Unaudited**

**Unrestricted Net Assets at March 31, 2005**

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on unrestricted net assets.
- (2) HUD adjusted the fiscal year ending March 31, 2004 year-end report in the amount of \$(4,133).

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

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

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

	<u>FY 2005</u>	<u>FY 2004</u>
<b><u>Revenues</u></b>		
HUD PHA Operating Grants/Subsidies	\$ 2,138,141	\$ 2,099,676
Tenant Revenue	120,029	124,626
Loss on Disposition of Equipment	(195)	0
Investment Income	1,889	1,853
Other Revenues	<u>28,824</u>	<u>38,306</u>
<b>Total Revenues</b>	<u>2,288,688</u>	<u>2,264,461</u>
<b><u>Expenses</u></b>		
Administrative	358,347	376,354
Utilities	27,027	25,835
Maintenance	26,733	34,772
General	34,591	25,861
Housing Assistance Payments	1,708,229	1,745,085
Interest	38,641	35,883
Depreciation	<u>68,625</u>	<u>59,693</u>
<b>Total Expenses</b>	<u>2,262,193</u>	<u>2,303,483</u>
Change in Net Assets	<u>\$ 26,495</u>	<u>\$ (39,022)</u>

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**March 31, 2005**

**Unaudited**

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

HUD PHA grants increased due to a slight increase in funding during fiscal year 2005. Fiscal year 2005 had a leasing rate of 97 percent or 6,695 unit months leased out of a 6,888 available. This is compared to a 99.6 percent rate for fiscal year 2004 or 6,865 unit months leased with 6,888 available.

Total expenses decreased 1.8 percent during fiscal year 2005 from \$2,303,483 to \$2,262,193. Most of the reduction can be attributed to a decrease in other administrative costs as well as lower housing assistance payments, which were due to less unit months leased.

Most other expenses increased modestly due to inflation.

**Capital Assets**

As of March 31, 2005, the Authority had \$1,965,453 invested in capital assets as reflected in the following schedule, which represents a net increase (additions, disposals, and depreciation) of \$124,174 from the prior year.

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

	<u>FY 2005</u>	<u>FY 2004</u>
Land	\$ 130,000	\$ 130,000
Buildings and Improvements	1,699,329	1,699,329
Furniture and Equipment	127,408	123,304
Construction in Progress	178,807	0
Accumulated Depreciation	<u>(170,091)</u>	<u>(111,354)</u>
Total	<u>\$ 1,965,453</u>	<u>\$ 1,841,279</u>

The following reconciliation summarizes the change in capital assets, which is presented in detail on page 22 of the notes.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**March 31, 2005**

**Unaudited**

**Table 5 - Change in Capital Assets**

	Business-Type Activities
Beginning Balance, March 1, 2004	\$ 1,841,279
Additions	195,494
Disposals, Net of Depreciation	(2,695)
Depreciation	<u>(68,625)</u>
Ending Balance, March 31, 2005	<u>\$ 1,965,453</u>
The year's major additions are:	
Construction in Progress Component Units	<u>\$ 178,807</u>

**Debt**

The Authority's debt was reduced by \$10,682 during 2005, a reduction of .73 percent. The following is a comparison of the Authority's debt outstanding at year end 2005 and year end 2004.

**Table 6 - Changes in Debt Outstanding**

	2005	2004
Current Portion of Debt	\$ 11,306	\$ 10,682
Long-Term Portion of Debt	<u>1,431,451</u>	<u>1,442,757</u>
<b>Total</b>	<u>\$ 1,442,757</u>	<u>\$ 1,453,439</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 Claudia Duerr, Executive Director for the Tuscarawas Metropolitan Housing Authority, at (330) 308-8099. Specific requests may be submitted to the Authority at 134 2<sup>nd</sup> Street SW, New Philadelphia, Ohio 44663.

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**March 31, 2005**

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$240,923	\$42,139	\$283,062
Restricted cash and cash equivalents	0	57,622	57,622
Investments	179,330	0	179,330
Receivables, net	80	2,541	2,621
<b>Total current assets</b>	<b>420,333</b>	<b>102,302</b>	<b>522,635</b>
<b>Noncurrent assets</b>			
Capital assets:			
Land	30,000	100,000	130,000
Building and equipment	495,972	1,330,765	1,826,737
Construction in Progress	0	178,807	178,807
Less accumulated depreciation	(91,809)	(78,282)	(170,091)
Capital assets, net	434,163	1,531,290	1,965,453
Other noncurrent assets	0	10	10
<b>Total noncurrent assets</b>	<b>434,163</b>	<b>1,531,300</b>	<b>1,965,463</b>
<b>Total assets</b>	<b>\$854,496</b>	<b>\$1,633,602</b>	<b>\$2,488,098</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$10,372	\$8,072	\$18,444
Accrued liabilities	24,092	3,942	28,034
Intergovernmental payables	0	12,747	12,747
Tenant security deposits	0	9,594	9,594
Bonds, notes, and loans payable	5,200	6,106	11,306
<b>Total current liabilities</b>	<b>39,664</b>	<b>40,461</b>	<b>80,125</b>

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

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Assets (Continued)**  
**Proprietary Funds**  
**March 31, 2005**

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
<b>Noncurrent liabilities</b>			
Bonds, notes, and loans payable	284,900	1,146,551	1,431,451
Accrued compensated absences non-current	10,053	0	10,053
Noncurrent liabilities - other	41,505	400,000	441,505
<b><i>Total noncurrent liabilities</i></b>	<b><i>336,458</i></b>	<b><i>1,546,551</i></b>	<b><i>1,883,009</i></b>
<b>Total liabilities</b>	<b>\$376,122</b>	<b>\$1,587,012</b>	<b>\$1,963,134</b>
<b><i>NET ASSETS</i></b>			
Invested in capital assets, net of related debt	\$144,063	\$378,633	\$522,696
Restricted net assets	0	57,622	57,622
Unrestricted net assets	334,311	(389,665)	(55,354)
<b>Total net assets</b>	<b>\$478,374</b>	<b>\$46,590</b>	<b>\$524,964</b>

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



**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended March 31, 2005**

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
<b><i>OPERATING REVENUES</i></b>			
Tenant Revenue	\$0	\$120,029	\$120,029
Government operating grants	2,138,141	0	2,138,141
Other revenue	22,226	6,598	28,824
<b>Total operating revenues</b>	<b>2,160,367</b>	<b>126,627</b>	<b>2,286,994</b>
<b><i>OPERATING EXPENSES</i></b>			
Administrative	326,447	31,900	358,347
Utilities	3,000	24,027	27,027
Maintenance	5,770	20,963	26,733
General	1,672	32,919	34,591
Housing assistance payment	1,708,229	0	1,708,229
Depreciation	30,085	38,540	68,625
<b>Total operating expenses</b>	<b>2,075,203</b>	<b>148,349</b>	<b>2,223,552</b>
<b>Operating income (loss)</b>	<b>85,164</b>	<b>(21,722)</b>	<b>63,442</b>
<b><i>NONOPERATING REVENUES (EXPENSES)</i></b>			
Interest and investment revenue	1,226	663	1,889
Loss on sale of capital assets	(195)	0	(195)
Interest expense	(13,619)	(25,022)	(38,641)
<b>Total nonoperating revenues (expenses)</b>	<b>(12,588)</b>	<b>(24,359)</b>	<b>(36,947)</b>
Change in net assets	72,576	(46,081)	26,495
Total net assets - beginning	409,931	92,671	502,602
Prior Period Adjustment	(4,133)	0	(4,133)
<b>Total net assets - ending</b>	<b>\$478,374</b>	<b>\$46,590</b>	<b>\$524,964</b>

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

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended March 31, 2005**

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating grants received	\$2,138,061	\$0	\$2,138,061
Tenant revenue received	0	120,029	120,029
Other revenue received	22,226	6,598	28,824
General and administrative expenses paid	(340,781)	(100,026)	(440,807)
Housing assistance payments	(1,708,229)	0	(1,708,229)
Net cash provided (used) by operating activities	111,277	26,601	137,878
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Loan proceeds received	0	145,375	145,375
Retirement of debt	(5,100)	(5,582)	(10,682)
Interest expense payment	(13,619)	(25,022)	(38,641)
Property and equipment purchased	(729)	(194,765)	(195,494)
Net cash provided (used) by capital and related financing activities	(19,448)	(79,994)	(99,442)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Transfers from investments	981	0	981
Interest received	1,226	663	1,889
Net cash provided (used) by investing activities	2,207	663	2,870
Net increase (decrease) in cash	94,036	(52,730)	41,306
Cash and cash equivalents - Beginning of year	146,887	152,491	299,378
Cash and cash equivalents - End of year	\$240,923	\$99,761	\$340,684

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

**TUSCARAWAS METROPOLITAN HOUSING AUTHORITY**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended March 31, 2005**

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Net Operating Income (Loss)	\$85,164	(\$21,722)	\$63,442
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities			
- Depreciation	30,085	38,540	68,625
- Loss from Sale of Capital Assets	195	0	195
- (Increases) Decreases in Accounts Receivable	10,400	9,752	20,152
- (Increases) Decreases in Accounts Receivable - Grantor	80	(1,103)	(1,023)
- (Increases) Decreases in Due from/to Component Unit	5,000	(5,000)	0
- Increases (Decreases) in Accounts Payable	4,352	6,016	10,368
- Increases (Decreases) in Accounts Payable - HUD	(14,637)	0	(14,637)
- Increases (Decreases) in Accrued Wages and	3,048	38	3,086
- Increases (Decreases) in Compensated Absences Payable	1,564	0	1,564
- Increases (Decreases) in FSS Escrow	(13,974)	0	(13,974)
- Increases (Decreases) in Other NonCurrent Liabilities	0	0	0
- Increases (Decreases) in Tenant Security Deposits	0	80	80
Net cash provided by operating activities	<u>\$111,277</u>	<u>\$26,601</u>	<u>\$137,878</u>

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

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Significant Accounting Policies**

The basic 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.

In June 1999, GASB approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operation.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Authority has elected to implement GASB 34 in the current fiscal year.

**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 basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the basic 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 basic financial statements to be misleading or incomplete.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2005  
 (CONTINUED)

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

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.

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 basic 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 basic financial statements as shown below:

<u>Discretely Presented Component Unit</u>	<u>Brief Description and Relationship</u>
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 METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

<u>Discretely Presented Component Unit</u>	<u>Brief Description and Relationship</u>
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 basic financial statements reflected in this report are for the fiscal year ending December 31, 2004.

**Basis of Presentation**

The Authority's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes net assets, and a statement of cash flows.

**Fund Accounting**

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

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

**Proprietary Fund Types**

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

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

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

**Measurement Focus/Basis of Accounting**

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after 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.

**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. Business Activities**

Represents non-HUD resources primarily from housing management services.

**C. 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.

**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, 2005 totaled \$1,226. The interest income earned by Component Units for the fiscal year ending December 31, 2004 totaled \$663.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

**Capital Assets**

Capital 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.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

**Operating Revenues and Expenses**

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

**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.



TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

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.

**Estimates**

The preparation of basic 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.

**Total Columns (Memorandum Only)**

Total columns on the basic 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 BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(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	\$244,496	\$244,496	\$0	\$0	\$240,923
Component Units	99,761	99,761	0	0	99,761
<b>Total Deposits</b>	<b>\$344,257</b>	<b>\$344,257</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$340,684</b>

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	\$179,330	\$0	\$0	\$179,330	\$179,330
Component Units	0	0	0	0	0
<b>Total Deposits</b>	<b>\$179,330</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$179,330</b>	<b>\$179,330</b>

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2005  
 (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, 2005 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: CAPITAL ASSETS**

**Tuscarawas Metropolitan Housing Authority (Primary Government)**

The following is a summary of the Capital Assets:

Land	\$30,000
Buildings	421,128
Furniture and Equipment – Administrative	66,287
Leasehold Improvement	8,557
Total Capital Assets	525,972
Accumulated Depreciation	(91,809)
Net Capital Assets	\$434,163

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

**NOTE 5: CAPITAL ASSETS** (Continued)

The following is a summary of changes in Capital Assets:

	<b>Balance</b> <b>03/31/04</b>	<b>Adjustment</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance</b> <b>03/31/05</b>
Land	\$30,000	\$0	\$0	\$0	\$30,000
Buildings	421,128	0	0	0	421,128
Furniture and Equipment					
Administrative	78,141	0	729	(12,583)	66,287
Leasehold Improvement	8,557	0	0	0	8,557
Total Capital Assets	<u>\$537,826</u>	<u>\$0</u>	<u>\$729</u>	<u>(\$12,583)</u>	<u>\$525,972</u>

The depreciation expense For the Year Ended March 31, 2005 was \$30,085.

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

The following is a summary of the Capital Assets:

Land	\$100,000
Buildings	1,278,201
Furniture and Equipment – Dwelling	52,564
Construction in Progress	178,807
Total Capital Assets	<u>1,609,572</u>
Accumulated Depreciation	<u>(78,282)</u>
Net Capital Assets	<u>\$1,531,290</u>

The following is a summary of changes:

	<b>Balance</b> <b>03/31/04</b>	<b>Adjustment</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance</b> <b>03/31/05</b>
Land	\$100,000	\$0	\$0	\$0	\$100,000
Buildings	1,278,201	0	0	0	1,278,201
Furniture and Equipment					
Dwelling	36,606	0	15,958	0	52,564
Construction in Progress	0	0	178,807	0	178,807
Total Capital Assets	<u>\$1,414,807</u>	<u>\$0</u>	<u>\$194,765</u>	<u>\$0</u>	<u>\$1,609,572</u>

The depreciation expense For the Year Ended March 31, 2005 was \$38,540.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

All Authority full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans, as described below:

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

OPERS provide retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the traditional pension and the combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 13.55 percent of covered payroll. The Authority's required contributions to OPERS for the years ended March 31, 2005, 2003 and 2004 were \$38,756, \$39,802, and \$35,223, respectively. The full amount has been contributed for all three years.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 employer contribution rate was 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health care for 2005.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

At December 31, 2004, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885. The Authority's annual contributions for 2005 used to fund post employment benefits were \$8,977. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

**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, 2005:

<b>DESCRIPTION</b>	<b>BALANCE 03/31/04</b>	<b>ISSUED</b>	<b>RETIRED</b>	<b>BALANCE 03/31/05</b>
Mortgage Payable	\$295,200	\$0	\$5,100	\$290,100

Debt maturities for the next five years are as follows:

<b><u>YEAR</u></b>	<b><u>AMOUNT</u></b>
March 31 2006	\$5,200
2007	5,500
2008	5,800
2009	6,000
2010	6,300
Later Years	261,300
Total all years	<u>\$290,100</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.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2005  
 (CONTINUED)

**NOTE 8: MORTGAGE PAYABLE** (Continued)

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, 2005	\$6,106
2006	6,678
2007	7,305
2008	7,990
2009	8,739
Late Years	1,115,839
Total	<u>\$1,152,657</u>

**NOTE 9: PRIOR PERIOD ADJUSTMENTS**

The prior period adjustments of \$4,133 represent adjustment made by HUD to the administration fee earned for the fiscal ending March 31, 2004.

**NOTE 10: CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year ended March 31, 2005 the Tuscarawas Metropolitan Housing Authority implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus; and GASB Statement No. 38, "Certain Financial Statement Note Disclosures.

GASB Statement No. 34 creates new basic financial statements for reporting on the TMHA's financial activities. The financial statements now include entity-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The entity-wide financial statements reflect only enterprise fund activities. The implementation of GASB 34 had no effect on the total enterprise fund equity. However, it did effect the classification of the equity.



TUSCARAWAS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

**NOTE 10: CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues, and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures.

The table bellow shows the reclassification adjustment necessary.

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net of Debt	Restricted Net Assets	Unrestricted Net Assets	Total
Beginning Balance	\$215,010	\$194,921	\$0	\$0	\$0	\$409,931
Reclassification- GASB 34	(215,010)	(194,921)	171,014	0	238,917	0
	0	0	171,014	0	238,917	409,931
Capital assets Addition	0	0	729	0	(729)	0
Capital assets Deletion, Net	0	0	(2,695)	0	2,695	0
Debt Retirement	0	0	5,100	0	(5,100)	0
Depreciation Expense	0	0	(30,085)	0	30,085	0
Prior Period Adjust.	0	0	0	0	(4,133)	(4,133)
Current Year Profit (Loss)	0	0	0	0	72,576	72,576
Ending Net Assets	\$0	\$0	\$144,063	\$0	\$334,311	\$478,374

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

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net of Debt	Restricted Net Assets	Unrestricted Net Assets	Total
Beginning Balance	\$0	\$92,671	\$0	\$0	\$0	\$92,671
Reclassification- GASB 34	0	(92,671)	216,826	132,853	(257,008)	0
	0	0	216,826	132,853	(257,008)	92,671
Capital assets Addition	0	0	194,765	(75,231)	(119,534)	0
Debt Retirement	0	0	5,582	0	(5,582)	0
Depreciation Expense	0	0	(38,540)	0	38,540	0
Current Year Profit (Loss)	0	0	0	0	(46,081)	(46,081)
Ending Net Assets	\$0	\$0	\$378,633	\$57,622	(\$389,665)	\$46,590

Tuscarawas Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type - Enterprise Fund  
March 31, 2005

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Component Units	Total
111	Cash - Unrestricted	\$9,700	\$189,718	\$42,139	\$241,557
113	Cash - Other Restricted	\$0	\$41,505	\$57,622	\$99,127
100	Total Cash	\$9,700	\$231,223	\$99,761	\$340,684
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$1,103	\$1,103
124	Accounts Receivable - Other Government	\$0	\$80	\$0	\$80
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$1,438	\$1,438
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	\$0	\$80	\$2,541	\$2,621
131	Investments - Unrestricted	\$0	\$179,330	\$0	\$179,330
144	Interprogram Due From	\$0	\$4,487	\$0	\$4,487
150	Total Current Assets	\$9,700	\$415,120	\$102,302	\$527,122
161	Land	\$0	\$30,000	\$100,000	\$130,000
162	Buildings	\$0	\$421,128	\$1,278,201	\$1,699,329
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$50,064	\$50,064
164	Furniture, Equipment & Machinery - Administration	\$0	\$66,287	\$2,500	\$68,787
165	Leasehold Improvements	\$0	\$8,557	\$0	\$8,557
166	Accumulated Depreciation	\$0	(\$91,809)	(\$78,282)	(\$170,091)
167	Construction In Progress	\$0	\$0	\$178,807	\$178,807
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$434,163	\$1,531,290	\$1,965,453
174	Other Assets	\$0	\$0	\$10	\$10
180	Total Non-Current Assets	\$0	\$434,163	\$1,531,300	\$1,965,463
190	Total Assets	\$9,700	\$849,283	\$1,633,602	\$2,492,585
312	Accounts Payable <= 90 Days	\$0	\$10,372	\$8,072	\$18,444
321	Accrued Wage/Payroll Taxes Payable	\$0	\$9,915	\$1,876	\$11,791
322	Accrued Compensated Absences - Current Portion	\$0	\$14,177	\$0	\$14,177
325	Accrued Interest Payable	\$0	\$0	\$2,066	\$2,066
333	Accounts Payable - Other Government	\$0	\$0	\$12,747	\$12,747
341	Tenant Security Deposits	\$0	\$0	\$9,594	\$9,594



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, 2005

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Component Units	Total
703	Net Tenant Rental Revenue	\$0	\$0	\$109,781	\$109,781
704	Tenant Revenue - Other	\$0	\$0	\$10,248	\$10,248
705	Total Tenant Revenue	\$0	\$0	\$120,029	\$120,029
706	HUD PHA Operating Grants	\$0	\$2,138,141	\$0	\$2,138,141
711	Investment Income - Unrestricted	\$15	\$1,211	\$663	\$1,889
714	Fraud Recovery	\$0	\$11,704	\$0	\$11,704
715	Other Revenue	\$10,183	\$339	\$6,598	\$17,120
716	Gain/Loss on Sale of Fixed Assets	\$0	(\$195)	\$0	(\$195)
700	Total Revenue	\$10,198	\$2,151,200	\$127,290	\$2,288,688
911	Administrative Salaries	\$6,311	\$171,667	\$9,170	\$187,148
912	Auditing Fees	\$0	\$3,544	\$1,750	\$5,294
914	Compensated Absences	\$0	\$1,564	\$0	\$1,564
915	Employee Benefit Contributions - Administrative	\$0	\$96,385	\$0	\$96,385
916	Other Operating - Administrative	\$2,892	\$44,084	\$20,980	\$67,956
931	Water	\$0	\$201	\$14,892	\$15,093
932	Electricity	\$0	\$1,931	\$5,504	\$7,435
933	Gas	\$0	\$868	\$0	\$868
938	Other Utilities Expense	\$0	\$0	\$3,631	\$3,631
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$10,615	\$10,615
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$95	\$6,329	\$6,424
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$5,675	\$4,019	\$9,694
961	Insurance Premiums	\$0	\$1,672	\$6,354	\$8,026
963	Payments in Lieu of Taxes	\$0	\$0	\$12,660	\$12,660
964	Bad Debt - Tenant Rents	\$0	\$0	\$13,905	\$13,905
967	Interest Expense	\$0	\$13,619	\$25,022	\$38,641
969	Total Operating Expenses	\$9,203	\$341,305	\$134,831	\$485,339
970	Excess Operating Revenue over Operating Expenses	\$995	\$1,809,895	(\$7,541)	\$1,803,349
973	Housing Assistance Payments	\$0	\$1,708,229	\$0	\$1,708,229
974	Depreciation Expense	\$0	\$30,085	\$38,540	\$68,625
900	Total Expenses	\$9,203	\$2,079,619	\$173,371	\$2,262,193

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, 2005

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Component Units	Total
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$995	\$71,581	(\$46,081)	\$26,495
1103	Beginning Equity	\$4,218	\$405,713	\$92,671	\$502,602
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	(\$4,133)	\$0	(\$4,133)
	Ending Equity	\$5,213	\$473,161	\$46,590	\$524,964
1102	Debt Principal Payments - Enterprise Funds	\$0	\$5,100	\$5,582	\$10,682
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$2,131,280	\$0	\$2,131,280
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$303,511	\$0	\$303,511
1116	Total Annual Contributions Available	\$0	\$2,434,791	\$0	\$2,434,791
1120	Unit Months Available	0	6,888	480	7,368
1121	Number of Unit Months Leased	0	6,695	455	7,150

Tuscarawas Metropolitan Housing Authority  
 Schedule of Expenditure of Federal Award  
 For the Year Ended March 31, 2005

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Housing Choice Voucher Program	14.871	<u>\$2,138,141</u>
Total Housing Choice Voucher Program		<u>2,138,141</u>
Total Expenditure of Federal Award		<u><u>\$2,138,141</u></u>



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF BASIC 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 business-type activities and the aggregate discretely presented Component units of Tuscarawas Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2005, which collectively comprise the Tuscarawas Metropolitan Housing Authority, Ohio, basic financial statements and have issued my report thereon dated November 7, 2005. I did not audit the financial statements of the Tuscarawas Affordable Housing One, LLC, a component unit. Those financial 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 State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing 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 an opinion 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 reportable 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 caused by error or fraud 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.

**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 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 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*.

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.



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Salvatore Consiglio, CPA, Inc.

November 7, 2005





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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, 2005. 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, 2005.

## **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.



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Salvatore Consiglio, CPA, Inc.

November 7, 2005

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

Tuscarawas Metropolitan Housing Authority  
March 31, 2005

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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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

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS</b>
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There are no Findings or questioned costs For the Year Ended March 31, 2005.

<b>3. FINDINGS REALTED TO FEDERAL AWARDS</b>
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There are no Findings or questioned costs For the Year Ended March 31, 2005.

Tuscarawas Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
March 31, 2005

The audit report for the fiscal year ended March 31, 2004 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 30, 2005**