

Tuscarawas Metropolitan Housing Authority

Financial statements

For the Year Ended March 31, 2003



**Auditor of State
Betty Montgomery**

Board of Directors
Tuscarawas Metropolitan Housing Authority
New Philadelphia, OH 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, 2002 through March 31, 2003. 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 8, 2003

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TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2003

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Combined Balance Sheet - Proprietary Fund Type - Enterprise Fund	3-4
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Proprietary Fund Type - Enterprise Fund	5
Combined Statement of Cash Flows - Proprietary Fund Type – Enterprise Fund	6
Notes to the Financial Statements	7-16
Supplemental Data:	
Combining Balance Sheet - (FDS Schedule Format)	17-18
Combining Statement of Revenues, Expenses and Changes in Retained Earnings (FDS Schedule Format)	19-21
Schedule of Federal Awards Expenditures	22
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	23-24
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	25-26
Schedule of Findings and Questioned Costs	27
Schedule of Prior Audit Findings	28

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SALVATORE CONSIGLIO, CPA, INC.

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, 2003, 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 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, 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, 2003, 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 August 14, 2003, 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.

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

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.

A handwritten signature in cursive script that reads "Salvatore Consiglio". The signature is written in black ink and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

August 14, 2003

Tuscarawas Metropolitan Housing Authority
 Combined Balance Sheet
 Proprietary Fund Type
 Discretely Presented Component Unit
 March 31, 2003

	<u>Enterprise Fund</u>	<u>Component Unit</u>	<u>Total (Memo only)</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$305,448	\$27,499	\$332,947
Restricted Cash	0	136,160	136,160
Accounts Receivable – Net of Allowance	35,119	0	35,119
Investment	123,713	0	123,713
Due From Component Unit	5,000	0	5,000
TOTAL CURRENT ASSETS	469,280	163,659	632,939
NONCURRENT ASSETS			
Fixed Assets - Net of Accumulated Depreciation	247,633	1,400,203	1,647,836
Other Assets	0	10	10
TOTAL NONCURRENT ASSETS	247,633	1,400,213	1,647,846
TOTAL ASSETS	\$716,913	\$1,563,872	\$2,280,785
<u>LIABILITIES AND FUND EQUITY</u>			
CURRENT LIABILITIES:			
Accounts Payable	\$8,462	\$7,738	\$16,200
Due to Primary Government	0	5,000	5,000
Intergovernmental Payable	84,230	0	84,230
Accrued Wages and Payroll Taxes	3,896	0	3,896
Accrued Compensated Absence Payable	15,152	0	15,152
Tenant Security Deposit Payable	0	10,615	10,615
Current Portion of Long Term Debt	4,800	1,248	6,048
TOTAL CURRENT LIABILITES	116,540	24,601	141,141
NONCURRENT LIABILITES			
Long-term Debt Net of Current	96,604	1,417,363	1,513,967
Other Long-term Liabilities	84,219	0	84,219
TOTAL NONCURRENT LIABILITES	180,823	1,417,363	1,598,186
TOTAL LIABILITES	297,363	1,441,964	1,739,327

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, 2003

	<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	204,540	2,598	207,138
Retained Earnings – Reserved	0	119,310	119,310
TOTAL FUND EQUITY	419,550	121,908	541,458
TOTAL LIABILITIES AND FUND EQUITY	\$716,913	\$1,563,872	\$2,280,785

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, 2003

	<u>Enterprise Fund</u>	<u>Component Unit</u>	<u>Total (Memo only)</u>
<u>REVENUE</u>			
Dwelling Rental Income	\$0	\$4,780	\$4,780
Program Grants/Subsidies	2,028,189	0	2,028,189
Interest	1,690	0	1,690
Other Income	6,904	119,311	126,215
TOTAL REVENUE	2,036,783	124,091	2,160,874
<u>EXPENSES</u>			
Administrative Expenses	301,763	1,674	303,437
Utilities Expenses	2,514	0	2,514
Ordinary Maintenance and Operation	3,262	0	3,262
Protective Services	9,000	0	9,000
General Expenses	4,833	0	4,833
Housing Assistance Expenses	1,679,455	0	1,679,455
Interest Expense	3,348	0	3,348
Depreciation Expense	11,788	0	11,788
TOTAL EXPENSES	2,015,963	1,674	2,017,637
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	20,820	122,417	143,237
BEGINNING EQUITY	399,115	(509)	398,606
PRIOR PERIOD ADJUSTMENTS	(385)	0	(385)
ENDING FUND EQUITY	\$419,550	\$121,908	\$541,458

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, 2003

	<u>Enterprise Fund</u>	<u>Component Unit</u>	<u>Total (Memo only)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Operating Income/(Loss)	\$20,820	\$3,106	\$23,926
Adjustment to Reconcile Operating Income to Net Cash Used by Operating Activities:			
-Depreciation	11,788	0	11,788
-(Increases) Decreases in Accts Receivable	(24,567)	0	(24,567)
-(Increases) Decreases in Other Prepaid Assets	0	(10)	(10)
-Increases (Decreases) Accounts Payable	(19,964)	0	(19,964)
-Increases (Decreases) Accounts Payable HUD	(115,008)	0	(115,008)
-Increases (Decreases) Accrues Compensated Absences	1,240	0	1,240
-Increases (Decreases) Accrued Wages and Payroll Taxes	1,465	0	1,465
-Increases (Decreases) FSS Escrow Payables	(13,579)	0	(13,579)
Total Adjustments	(158,625)	(10)	(158,635)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(137,805)	3,096	(134,709)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash Transfer From Investment Account	146,925	0	146,925
Cash Transfer from Seller of Clay Village Apartment	0	1,504	1,504
NET CASH USED IN INVESTING ACTIVITIES	146,925	1,504	148,429
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchases of Property and Equipment	(65,404)	(1,400,203)	(1,465,607)
Principle Mortgage Payments	(89,974)	0	(89,974)
Proceeds from Loan	101,404	1,418,611	1,520,015
NET CASH USED IN FINANCING ACTIVITIES	(53,974)	18,408	(35,566)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,854)	23,008	(21,846)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	350,302	4,491	354,793
CASH AND CASH EQUIVALENTS - END OF YEAR	\$305,448	\$27,499	\$332,947

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, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2003
 (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. TMHA loan the Agency \$5,000 to set-up bank account and incorporate.
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.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003
(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, 2003 totaled \$1,690. The interest income earned by Component Units equaled \$0.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003
(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, 2003
(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, 2003
(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	\$324,708	\$324,708	\$0	\$0	\$305,448
Component Units	163,659	163,659	0	0	163,659
Total Deposits	\$488,367	\$488,367	\$0	\$0	\$469,107

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	\$123,713	\$ 0	\$0	\$123,713	\$123,713
Component Units	0	0	0	-0-	-0-
Total Deposits	\$123,713	\$ 0	\$ 0	\$123,713	\$123,713

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2003
 (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, 2003 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:

Land	\$30,000
Buildings	193,474
Furniture and Equipment – Administrative	57,341
Construction in Progress	24,004
Total Fixed Assets	304,819
Accumulated Depreciation	(57,186)
Net Fixed Assets	\$247,633

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003
(CONTINUED)

NOTE 5: FIXED ASSETS (Continued)

The following is a summary of changes:

	Balance <u>03/31/02</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Deletion</u>	Balance <u>03/31/03</u>
Land	\$30,000	\$0	\$0	\$0	\$30,000
Buildings	112,770	80,704	0	0	193,474
Furniture and Equipment					
Administrative	45,967	0	41,400	30,026	57,341
Construction in Progress	80,704	(80,704)	24,004	0	24,004
Total Fixed Assets	<u>\$269,441</u>	<u>\$0</u>	<u>\$65,404</u>	<u>\$30,026</u>	<u>\$304,819</u>

The depreciation expense for the year ended March 31, 2003 was \$11,788.

Tuscarawas Affordable Housing One, LLC (Component Unit)

The following is a summary:

Land	\$100,000
Buildings	1,300,203
Total Fixed Assets	<u>1,400,203</u>
Accumulated Depreciation	<u>0</u>
Net Fixed Assets	<u><u>\$1,400,203</u></u>

The following is a summary of changes:

	Balance <u>03/31/02</u>	<u>Additions</u>	<u>Deletion</u>	Balance <u>03/31/03</u>
Land	\$0	\$100,000	\$0	\$100,000
Buildings	0	1,300,203	0	1,300,203
Furniture and Equipment				
Administrative	0	0	0	0
Construction in Progress	0	0	0	0
Total Fixed Assets	<u>\$0</u>	<u>\$1,400,203</u>	<u>\$0</u>	<u>\$1,400,203</u>

The depreciation expense for the year ended March 31, 2003 was \$0.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003
(CONTINUED)

NOTE 6: CONSTRUCTION IN PROGRESS

Construction in progress of \$24,004 represents the addition to the administration building. As of March 31, 2003 the work is 34% completed.

NOTE 7: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the Authority was 6.54 percent of cover payroll, reduced from 9.35 percent. In 2001 the required rate is back to 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended March 31, 2003 was \$35,223, 2002 and 2001 were \$21,108 and \$27,005, respectively. The full amount has been contributed for 2001 and 2000. Ninety-one percent has been contributed for 2003, with the remainder being reported as a liability with the enterprise fund.

NOTE 8: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003
(CONTINUED)

**NOTE 8: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM** (Continued)

public employers to fund pension and post retirement health cares through their contributions to PERS. The portion of employer contributions rate used to fund health care for 2002 and 2001 was 4.3 percent of cover payroll.

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

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

Benefits are advance-funded using the entry age normal cost method. The number of active contributing participants was 411,076. The actuarial value of PERS of Ohio net assets available for OPEB at December 31, 2000 was \$11,735.9 million. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

NOTE 9: MORTGAGE PAYABLE

Tuscarawas Metropolitan Housing Authority (Primary Government)

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 bond does not start amortizing until the project is completed. As of March 31, 2003, the project is 34% completed and the amount financed is \$101,404.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003
(CONTINUED)

NOTE 9: MORTGAGE PAYABLE (Continued)

Tuscarawas Affordable Housing Service Corp. (Component Unit)

On November 20, 2002, Tuscarawas Affordable Housing Service Corporation (Corporation) entered into an agreement with Ohio Housing Finance Agency for a \$400,000 loan, with an interest rate of 2%. The loan matures on November 20, 2032. The purpose of the loan is to finance the purchase and rehabilitation of Clay Village Apartments. Clay Village Apartment is an existing 40-unit Rural Development Project. Twenty of the units received Rural Development Rental Assistance.

As of March 31, 2003 only \$254,625 of the loan was received. This money was transferred to Tuscarawas Affordable Housing One, LLC for the acquisition and fees for the purchase of Clay Village Apartments. The remaining balance of the loan will be used to finance the rehabilitation of those units. Once the entire loan amount is received the amortization of the loan will be provided. As of March 31, 2003, no loan re-payments were made.

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 loan was issued by the United States Department of Agriculture, acting through Rural Development, and it bears a 9% interest rate for a 50 year term.

The following is a summary of debt maturity for the next five years:

<u>YEAR</u>	<u>AMOUNT</u>
2004	\$1,248
2005	1,365
2006	1,493
2007	1,633
2008	1,786
Late Years	1,156,461
Total	<u><u>\$1,163,986</u></u>

NOTE 10: PRIOR PERIOD ADJUSTMENTS

The prior period adjustments of \$385 represent adjustment to fixed assets for assets capitalized in error.

Tuscarawas Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type
Enterprise Fund
March 31, 2003

FDS Line Item No.	Account Description	Housing Choice Voucher	Component Units	Total
ASSETS:				
CURRENT ASSETS:				
Cash:				
111	Cash – Unrestricted	\$221,229	\$27,499	\$248,728
113	Cash - Other Restricted	0	136,160	136,160
115	Cash – Restricted for Payment of Current Year Liability	84,219	0	84,219
100	Total Cash	<u>305,448</u>	<u>163,659</u>	<u>469,107</u>
Accounts and notes receivable:				
125	Accounts Receivable – Miscellaneous	35,119	0	35,119
120	Total Receivables, net of allowances for doubtful accounts	<u>35,119</u>	<u>0</u>	<u>35,119</u>
131	Investments – Unrestricted	123,713	0	123,713
144	Interprogram Due From	5,000	0	5,000
150	Total Current Assets	<u>469,280</u>	<u>163,659</u>	<u>632,939</u>
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	30,000	100,000	130,000
162	Buildings	193,474	1,300,203	1,493,677
164	Furniture, Equipment & Machinery – Administration	57,341	0	57,341
166	Accumulated Depreciation	(57,186)	0	(57,186)
167	Construction In Progress	24,004	0	24,004
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>247,633</u>	<u>1,400,203</u>	<u>1,647,836</u>
174	Other Assets	0	10	10
180	Total Non-Current Assets	<u>247,633</u>	<u>1,400,213</u>	<u>1,647,846</u>
190	Total Assets	<u>\$716,913</u>	<u>\$1,563,872</u>	<u>\$2,280,785</u>

Tuscarawas Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type
Enterprise Fund
March 31, 2003

FDS Line Item No.	Account Description	Housing Choice Voucher	Component Units	Total
LIABILITIES AND EQUITY:				
LIABILITIES				
CURRENT LIABILITIES				
312	Accounts Payable <= 90 Days	\$8,462	\$7,738	\$16,200
321	Accrued Wage/Payroll Taxes Payable	3,896	0	3,896
322	Accrued Compensated Absences - Current Portion	15,152	0	15,152
331	Accounts Payable - HUD PHA Programs	84,230	0	84,230
341	Tenant Security Deposit	0	10,615	10,615
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	4,800	1,248	3,048
347	Interprogram Due To	0	5,000	5,000
310	Total Current Liabilities	<u>116,540</u>	<u>24,601</u>	<u>141,141</u>
NONCURRENT LIABILITIES				
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	96,604	1,417,363	1,513,967
353	Noncurrent Liabilities – Other	84,219	0	84,219
350	Total Noncurrent Liabilities	<u>180,823</u>	<u>1,417,363</u>	<u>1,598,186</u>
300	Total Liabilities	<u>297,363</u>	<u>1,441,964</u>	<u>1,739,327</u>
EQUITY:				
Contributed Capital:				
504	Net HUD PHA Contributions	203,758	0	203,758
507	Other Contributions	11,252	0	11,252
508	Total Contributed Capital	<u>215,010</u>	<u>0</u>	<u>215,010</u>
Fund Balance Reserved for Capital				
510	Activities	0	117,809	117,809
512	Undesignated Fund Balance/Retained Earnings	204,540	4,099	208,639
513	Total Equity	<u>419,550</u>	<u>121,908</u>	<u>541,458</u>
600	Total Liabilities and Equity/Net Assets	<u>\$716,913</u>	<u>\$1,563,872</u>	<u>\$2,280,785</u>

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, 2003

FDS Line Item No.	Account Description	Housing Choice Voucher	Component Units	Total
REVENUE:				
703	Net Tenant Rental Revenue	\$0	\$4,780	\$4,780
706	Program Grants/Subsidies	2,028,189	0	2,028,189
711	Investment Income – Unrestricted	1,690	0	1,690
714	Fraud Recovery	5,754	0	5,754
715	Other Revenue	1,150	119,311	120,461
700	Total Revenue	2,036,783	124,091	2,160,874
EXEPENSES:				
911	Administrative Salaries	165,938	299	166,237
912	Auditing Fees	3,686	0	3,686
914	Compensated Absences	1,240	0	1,240
915	Employee Benefit Contributions – Administrative	88,443	0	88,443
916	Other Operating – Administrative	42,456	1,375	43,831
931	Water	218	0	218
932	Electricity	1,906	0	1,906
933	Gas	390	0	390
943	Ordinary Maintenance and Operations - Contract Costs	3,262	0	3,262
953	Protective Services – Other	9,000	0	9,000
961	Insurance Premiums	4,833	0	4,833
967	Interest Expense	3,348	0	3,348
969	Total Operating Expenses	324,720	1,674	326,394
970	Excess Operating Revenue over Operating Expenses	1,712,063	122,417	1,834,480
973	Housing Assistance Payments	1,679,455	0	1,679,455
974	Depreciation Expense	11,788	0	11,788
900	Total Expenses	2,015,963	1,674	2,017,637

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, 2003

FDS Line Item No.	Account Description	Housing Choice Voucher	Component Units	TOTAL
1000	Excess (Deficiency) of Operating Revenue			
	Over (Under) Expenses	20,820	122,417	143,237
1103	Beginning Equity	399,115	(509)	398,606
1104	Prior Period Adjustments, Equity			
	Transfers and Correction of Errors	(385)	0	(385)
	Ending Equity	\$419,550	\$121,908	\$541,458

MEMO ACCOUNT INFORMATION:

1113	Maximum Annual Contributions Commitment (Per ACC)	\$2,073,620	\$0	\$2,073,620
1114	Prorate Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0
1115	Contingency Reserve, ACC Program Reserve	257,097	0	257,097
1116	Total Annual Contributions Available	<u>\$2,330,717</u>	\$0	<u>\$2,330,717</u>
1120	Unit Months Available	6,888	0	6,888
1121	Number of Unit Months Leased	6,859	0	6,859

Tuscarawas Metropolitan Housing Authority
 Schedule of Federal Award Expenditures
 For the Year Ended March 31, 2003

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Housing Choice Voucher Program	14.871	<u>\$2,028,189</u>
Total Housing Choice Voucher Program		<u>2,028,189</u>
Total Expenditure of Federal Award		<u><u>\$2,028,189</u></u>

**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, 2003, and have issued my report thereon dated August 14, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

August 14, 2003

**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, 2003. 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, 2003.

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.

August 14, 2003

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

Tuscarawas Metropolitan Housing Authority
March 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS
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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

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
--

There are no Findings or questioned costs for the year ended March 31, 2003.

3. FINDINGS REALTED TO FEDERAL AWARDS
--

There are no Findings or questioned costs for the year ended March 31, 2003.

Tuscarawas Metropolitan Housing Authority
Schedule of Prior Audit Findings
March 31, 2003

The audit report for the fiscal year ended March 31, 2002 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 18, 2003**