Tuscarawas Metropolitan Housing Authority

Financial statements

For the Year Ended March 31, 2007

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Tuscarawas Metropolitan Housing Authority, Tuscarawas County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period April 1, 2006 through March 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 7, 2007

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TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2007

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SALVATORE CONSIGLIO, CPA, INC.

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Independent Auditors' Report

Board of Directors
Tuscarawas Metropolitan Housing
Authority

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, 2007, which collectively comprise the Authority 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 68 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the 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, 2007 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.

In accordance with *Government Auditing Standards,* I have also issued a report dated October 4, 2007, 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 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 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 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 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 by us and other auditors in the audit of the 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 financial statements taken as a whole.

Salvatore Consiglio, CPA, Inc.
October 4, 2007

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 2007, the Authority's net assets decreased by $199,240, or 37 percent. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net assets were $336,767 and $536,007 for fiscal year 2007 and fiscal year 2006, respectively.

- The Authority's revenue increased by $45,818, or 2 percent during fiscal year 2007. Revenue for fiscal year 2007 and fiscal year 2006 was $2,297,778 and $2,251,960, respectively.

- The total expenses of the Authority increased by $202,410, or 9 percent. Total expenses for fiscal year 2007 and fiscal year 2006 were $2,443,327 and $2,240,917, 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

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.

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 on a single enterprise fund. Enterprise fund 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 programs operated by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Programs

<u>Business-Type Fund</u>

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.

<u>Component Units</u>

- 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.

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 2007	FY 2006
Assets		
Current and Other Assets	$ 435,424	$ 575,100
Capital Assets	1,854,074	1,914,767
Total Assets	$ 2,289,498	$2,489,867
Liabilities		
Current Liabilities	$ 75,353	$ 78,676
Noncurrent Liabilities	1,877,378	1,875,184
Total Liabilities	$ 1,952,731	$ 1,953,860
Net Assets		
Restricted	$ 40,104	$ 41,054
Invested in Capital Assets	434,800	483,316
Unrestricted	(138,137)	11,637
Total Net Assets	$ 336,767	$ 536,007

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

Major Factors Affecting the Statement of Net Assets

Assets decreased by $200,369 and liabilities were reduced by $1,129. Most of the decrease in assets was related to the loss from operations.

Capital assets changed, decreasing from $1,914,767 to $1,854,074. The $60,693 decrease can be attributed to a combination of acquisitions less current year depreciation. For more detail, see the Capital Assets section at Tables 4 and 5.

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

Table 2 - Change of Unrestricted Net Assets

Unrestricted Net Assets at March 31, 2006		$ 11,637
Results of Operations	$ (145,549)	
Adjustments:		
Depreciation (1)	72,735	
Adjusted Results from Operations		(72,814)
Capital Expenditures - Net		(12,042)
HUD Recapture of Prior Period Revenue		(53,691)
Debt Payment		(12,177)
Change in Restricted Net Assets		950
Unrestricted Net Assets at March 31, 2007		$ (138,137)

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

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes is 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

	FY 2007	FY 2006
Revenues		
HUD PHA Operating Grants/Subsidies	$ 2,105,709	$ 2,084,653
Tenant Revenue	146,656	137,031
Investment Income	12,436	8,028
Other Revenues	32,977	22,248
Total Revenues	2,297,778	2,251,960
Expenses		
Administrative	370,834	362,646
Utilities	31,802	28,932
Maintenance	31,418	33,601
General	23,556	23,579
Housing Assistance Payments	1,875,896	1,683,434
Interest	37,086	37,912
Depreciation	72,735	70,813
Total Expenses	2,443,327	2,240,917
Change in Net Assets before Prior Period Adjustment	$ (145,549)	$ 11,043

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 2007. Fiscal year 2007 had a leasing rate of 98 percent or 6,754 unit months leased out of the 6,888 available units. This is compared to a 96 percent rate for fiscal year 2006 or 6,639 unit months leased with 6,888 available.

Total expenses increased 9 percent during fiscal year 2007 from $2,443,327 to $2,262,193. Most of the increase can be attributed to the increase in housing assistance payments, which were due to more unit months leased. All other expenses increased modestly due to inflation.

Capital Assets

As of March 31, 2007, the Authority had $1,854,074 invested in capital assets as reflected in the following schedule, which represents a net decrease (additions, disposals, and depreciation) of $60,693 from the prior year.

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

	FY 2007	FY 2006
Land	$ 130,000	$ 130,000
Buildings and Improvements	1,906,483	1,900,593
Furniture and Equipment	131,230	125,078
Accumulated Depreciation	(313,639)	(240,904)
Total	$ 1,854,074	$ 1,914,767

The following reconciliation summarizes the change in capital assets, which is presented in detail on page 22 & 23 of the notes.

Table 5 - Change in Capital Assets

	Business-Type Activities
Beginning Balance, April 1, 2006	$ 1,914,767
Additions	12,042
Depreciation	(72,735)
Ending Balance, March 31, 2007	$ 1,854,074
The year's major additions are:	
Building Improvements	$ 5,890
Equipment	6,152
Total	$ 12,042

Debt

The Authority's debt was reduced by $12,177 during fiscal year 2007, a reduction of 0.85 percent. The following is a comparison of the Authority's debt outstanding at year end 2007 and year end 2006.

Table 6 - Changes in Debt Outstanding

	FY 2007	FY 2006
Current Portion of Debt	$ 13,106	$ 12,178
Long-Term Portion of Debt	1,406,168	1,419,273
Total	$ 1,419,274	$ 1,431,451

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 2nd Street SW, New Philadelphia, Ohio 44663.

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
March 31, 2007

	Primary Government	*Component Units*
ASSETS		
Current assets		
Cash and cash equivalents	$347,035	$39,442
Restricted cash and cash equivalents	0	40,104
Receivables, net	4,871	3,962
Total current assets	***351,906***	***83,508***
Noncurrent assets		
Capital assets:		
Land	30,000	100,000
Building and equipment	496,312	1,541,401
Less accumulated depreciation	(144,328)	(169,311)
Capital assets, net	381,984	1,472,090
Other noncurrent assets	0	10
Total noncurrent assets	***381,984***	***1,472,100***
Total assets	**$733,890**	**$1,555,608**
LIABILITIES		
Current liabilities		
Accounts payable	$4,554	$3,466
Accrued liabilities	25,245	3,087
Intergovernmental payables	0	14,185
Tenant security deposits	0	11,710
Bonds, notes, and loans payable	5,800	7,306
Total current liabilities	***35,599***	***39,754***

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

TUSCARAWAS METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
March 31, 2007

Noncurrent liabilities		
Bonds, notes, and loans payable	273,600	1,132,568
Accrued compensated absences non-current	14,330	0
Noncurrent liabilities - other	56,880	400,000
Total noncurrent liabilities	***344,810***	***1,532,568***
Total liabilities	**$380,409**	**$1,572,322**
NET ASSETS		
Invested in capital assets, net of related debt	$102,584	$332,216
Restricted net assets	0	40,104
Unrestricted net assets	250,897	(389,034)
Total net assets	**$353,481**	**($16,714)**

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, 2007

	Primary Government	***Component Units***
OPERATING REVENUES		
Tenant Revenue	$0	$146,656
Government operating grants	2,105,709	0
Other revenue	32,977	0
Total operating revenues	**2,138,686**	**146,656**
OPERATING EXPENSES		
Administrative	338,675	32,159
Utilities	2,959	28,843
Maintenance	10,030	21,388
General	2,772	20,784
Housing assistance payment	1,875,896	0
Depreciation	25,124	47,611
Total operating expenses	***2,255,456***	***150,785***
Operating income (loss)	**(116,770)**	**(4,129)**
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	11,519	917
Interest expense	13,177	23,909
Total nonoperating revenues (expenses)	***(1,658)***	***(22,992)***
Change in net assets	(118,428)	(27,121)
Total net assets - beginning	525,600	10,407
Prior Period Adjustment	(53,691)	0
Total net assets - ending	**$353,481**	**($16,714)**

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, 2007

	Primary Government	*Component Units*
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating grants received	$2,102,534	$0
Tenant revenue received	0	146,135
Other revenue received	33,586	0
General and administrative expenses paid	(398,036)	(102,217)
Housing assistance payments	(1,875,896)	0
Net cash provided (used) by operating activities	(137,812)	43,918
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Retirement of debt	(5,500)	(6,677)
Interest paid on Debt	(13,177)	(23,909)
Property and equipment purchased, net	0	(12,042)
Net cash provided (used) by capital and related financing activities	(18,677)	(42,628)
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfers from investments	0	0
Interest earned	11,519	917
Net cash provided (used) by investing activities	11,519	917
Net increase (decrease) in cash	(144,970)	2,207
Cash and cash equivalents - Beginning of year	492,005	77,339
Cash and cash equivalents - End of year	$347,035	$79,546

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, 2007

	Primary Government	*Component Units*
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	($116,770)	($4,129)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities		
- Depreciation	25,124	47,611
- (Increases) Decreases in Accounts Receivable	(2,566)	(521)
- Increases (Decreases) in Accounts Payable	(894)	(373)
- Increases (Decreases) in Intergovernmental Payable	0	496
- Increases (Decreases) in Accrued Payable	(1,555)	(454)
- Increases (Decreases) in FSS Escrow	14,356	0
- Increases (Decreases) in Other Current Liabilities	(1,816)	0
- Increases (Decreases) in Tenant Security Deposits	0	1,288
- Prior Period Adjustment Effecting Cash	(53,691)	0
Net cash provided by operating activities	($137,812)	$43,918

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

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.

NOTE 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

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

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

<u>Component Units</u>
The component units are reported in the Authority financial statements as shown below:

Discretely Presented Component Unit	*Brief Description and Relationship*
Tuscarawas Affordable Housing Service Corp.	A not-for-profit (IRS section 501(c) (3)) corporation created for the purpose of providing low and moderate-income housing. Tuscarawas Metropolitan Housing Authority staff operates and manages the units. Four of the five Board Members are the same for both Agencies.

Discretely Presented Component Unit	*Brief Description and Relationship*
Tuscarawas Affordable Housing One, LLC	A limited liability corporation created for the purpose of ownership and management of Clay Village Apartment. Its officers are TMHA Executive Director, Assistant Director and Board Member. Tuscarawas Affordable Housing One, LLC fiscal year is on December 31 year end. The financial statements reflected in this report are for the fiscal year ending December 31, 2006.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Authority's 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2007 totaled $11,519. The interest income earned by Component Units for the fiscal year ending December 31, 2006 totaled $917.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of $250 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives of three years to forty years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Contributions

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

Cash and Cash Equivalents

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

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.

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 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.

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

State statutes classify monies held by the Authority into three categories.

A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two period of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

NOTE 2: DEPOSIT AND INVESTMENTS (Continued)

C. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Authority deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by Authority or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal year end March 31, 2007, the carrying amount of the Authority's deposits totaled $347,035 and its bank balance was $349,664. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of March 31, 2007, $249,664 was exposed to custodial risk as discussed below, while $100,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

Component Unit

The carrying amount of the Component Unit deposits was $79,546 at March 31, 2007. It includes savings accounts and all certificates of deposit with original maturities of three months or less.

NOTE 3: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of Expenditure of Federal Awards is 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, 2007 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

NOTE 5*:* CAPITAL ASSETS

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

Primary Government

	Balance 03/31/06	Adjust	Additions	Deletion	Balance 03/31/07
Capital Assets Not Being Depreciated:					
Land	$30,000	$0	$0	$0	$30,000
Total Capital Assets Not Being Depreciated	**30,000**	**0**	**0**	**0**	**30,000**
Capital Assets Being Depreciated:					
Buildings	421,128	0	0	0	421,128
Furnt, Mach. and Equip.	66,627	0	0	0	66,627
Leasehold Improvement	8,557	0	0	0	8,557
Total Capital Assets Being Depreciated	496,312	0	0	0	496,312
Accumulated Depreciation:					
Buildings	(67,182)	0	(15,382)	0	(52,564)
Furnt, Mach. and Equip.	(49,882)	0	(8,886)	0	(58,768)
Leasehold Improvement	(2,140)	0	(856)	0	(2,996)
Total Accumulated Depreciation	**(119,204)**	**0**	**(25,124)**	**0**	**(144,328)**
Total Capital Assets Being Depreciated, Net	**377,108**	**0**	**(25,124)**	**0**	**351,984**
Total Capital Assets, Net	**$407,108**	**$0**	**($25,1241)**	**$0**	**$381,984**

NOTE 5*:* <u>CAPITAL ASSETS</u> (Continued)

<u>Component Unit</u>

	Balance 01/01/06	**Adjust**	**Additions**	**Deletion**	**Balance 12/31/06**
Capital Assets Not Being Depreciated:					
Land	$100,000	$0	$0	$0	$100,000
Total Capital Assets Not Being Depreciated	**100,000**	**0**	**0**	**0**	**100,000**
Capital Assets Being Depreciated:					
Buildings	1,470,908	0	5,890	0	1,476,798
Furnt, Mach. and Equip.	58,451	0	6,152	0	64,603
Total Capital Assets Being Depreciated	1,529,359	0	12,042	0	1,541,401
Accumulated Depreciation	(121,700)	0	(47,611)	0	(169,311)
Total Capital Assets Being Depreciated, Net	**1,407,659**	**0**	**(35,569)**	**0**	**1,372,090**
Total Capital Assets, Net	**$1,507,659**	**$0**	**($35,569)**	**$0**	**$1,472,090**

NOTE 6: <u>DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM</u>

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

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

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.

3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits 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.

Plan members are required to contribute 9.0% for the period April 1, 2006 through December 31, 2006 and 9.5% from January 1, 2007 forward, of their annual covered salary to fund pension obligations. The 2006 employer pension contribution rate for Authority was 13.7% for the period April 1, 2006 through December 31, 2006 and 13.85% from January 1, 2007 forward. Contributions are authorized by state statue. The contribution rates are determined actuarially. The Authority's contribution for the years ended March 31, 2007, 2006, and 2005 amounted to $26,156, $40,002 and $38,756 respectively. The full amount has been contributed for all three years.

NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care.

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

The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2006 was 4.0 percent of covered payroll, which amounted to $7,617. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2005. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2005 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5% to 6% for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 369,214. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2006 was $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $31.3 billion and $20.2 billion, respectively.

OPERS Retirement Board Implemented its Health Care Preservation Plan (HCPP). HCPP was adopted on September 9, 2004, and is effective on January 1, 2007. In addition, OPERS created a separate investment pool for health care assets. Members and employers contribution rates increases in January 1, 2006 and in 2007 will allow additional funds to be allocated to the health care plan.

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 a basis of actual number of days and a 365 day year.

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

The following is a summary of changes in long-term debt for the year ended March 31, 2007:

DESCRIPTION	BALANCE 03/31/06	ISSUED	RETIRED	BALANCE 03/31/07
Mortgage Payable	$284,900	$0	$5,500	$279,400

Debt maturities are as follows:

YEAR	PRINCIPAL	INTEREST
November 1, 2007	$5,800	$12,817
2008	6,000	12,617
2009	6,400	12,217
2010	6,600	12,017
2011	6,900	11,717
2012-2016	39,600	53,485
2017-2021	49,800	43,285
2028-2026	62,300	30,785
2027-2031	78,100	14,985
2032-2033	17,900	717
Total	$279,400	$204,642

NOTE 8: MORTGAGE PAYABLE (Continued)

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 USDA - Rural Development interest subsidy program through 2037. The mortgage liability is limited to the underlying value of the collateral pledged.

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

The following is a summary of debt maturity for the next five years as reported on the Tuscarawas Affordable Housing One, LLC audit report:

YEAR	AMOUNT
December 31, 2007	$7,306
2008	7,990
2009	8,739
2010	9,559
2011	10,456
Thereafter	1,095,824
Total	$1,139,874

Tuscarawas Metropolitan Housing Authority Combining FDS Schedule Submitted To REAC Propriety Fund Type- Enterprise Fund March 31, 2007						
Line Item No.	Account Description	Business Activities	Shelter Plus Care	Housing Choice Vouchers	Component Units	Total
111	Cash - Unrestricted	$8,100	$0	$121,986	$27,732	$157,818
113	Cash - Other Restricted	$0	$0	$56,880	$40,104	$96,984
114	Cash - Tenant Security Deposits	$0	$0	$0	$11,710	$11,710
100	Total Cash	$8,100	$0	$178,866	$79,546	$266,512
122	Accounts Receivable - HUD Other Projects	$0	$3,175	$0	$0	$3,175
124	Accounts Receivable - Other Government	$0	$0	$623	$0	$623
125	Accounts Receivable - Miscellaneous	$1,073	$0	$0	$0	$1,073
126	Accounts Receivable - Tenants - Dwelling Rents	$0	$0	$0	$3,962	$3,962
120	Total Receivables, net of allowances for doubtful accounts	$1,073	$3,175	$623	$3,962	$8,833
131	Investments - Unrestricted	$0	$0	$160,069	$0	$160,069
144	Interprogram Due From	$0	$0	$4,349	$0	$4,349
150	Total Current Assets	$9,173	$3,175	$343,907	$83,508	$439,763
161	Land	$0	$0	$30,000	$100,000	$130,000
162	Buildings	$0	$0	$421,128	$1,476,798	$1,897,926
163	Furniture, Equipment & Machinery - Dwellings	$0	$0	$0	$62,103	$62,103
164	Furniture, Equipment & Machinery - Administration	$0	$0	$66,627	$2,500	$69,127
165	Leasehold Improvements	$0	$0	$8,557	$0	$8,557
166	Accumulated Depreciation	$0	$0	($144,328)	($169,311)	($313,639)
160	Total Fixed Assets, Net of Accumulated Depreciation	$0	$0	$381,984	$1,472,090	$1,854,074
174	Other Assets	$0	$0	$0	$10	$10
180	Total Non-Current Assets	$0	$0	$381,984	$1,472,100	$1,854,084
190	Total Assets	$9,173	$3,175	$725,891	$1,555,608	$2,293,847
312	Accounts Payable <= 90 Days	$0	$0	$4,554	$3,466	$8,020
321	Accrued Wage/Payroll Taxes Payable	$0	$0	$10,954	$1,126	$12,080
322	Accrued Compensated Absences - Current Portion	$0	$0	$14,291	$0	$14,291
325	Accrued Interest Payable	$0	$0	$0	$1,961	$1,961
333	Accounts Payable - Other Government	$0	$0	$0	$14,185	$14,185

Tuscarawas Metropolitan Housing Authority Combining FDS Schedule Submitted To REAC Propriety Fund Type- Enterprise Fund March 31, 2007						
Line Item No.	Account Description	Business Activities	Shelter Plus Care	Housing Choice Vouchers	Component Units	Total
341	Tenant Security Deposits	$0	$0	$0	$11,710	$11,710
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$0	$0	$5,800	$7,306	$13,106
347	Interprogram Due To	$1,740	$2,609	$0	$0	$4,349
310	Total Current Liabilities	$1,740	$2,609	$35,599	$39,754	$79,702
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	$0	$0	$273,600	$1,132,568	$1,406,168
354	Accrued Compensated Absences - Non Current	$0	$0	$14,330	$0	$14,330
353	Noncurrent Liabilities - Other	$0	$0	$56,880	$400,000	$456,880
350	Total Noncurrent Liabilities	$0	$0	$344,810	$1,532,568	$1,877,378
300	Total Liabilities	$1,740	$2,609	$380,409	$1,572,322	$1,957,080
508	Total Contributed Capital	$0	$0	$0	$0	$0
508.1	Invested in Capital Assets, Net of Related Debt	$0	$0	$102,584	$332,216	$434,800
511	Total Reserved Fund Balance	$0	$0	$0	$0	$0
511.1	Restricted Net Assets	$0	$0	$0	$40,104	$40,104
512.1	Unrestricted Net Assets	$7,433	$566	$242,898	($389,034)	($138,137)
513	Total Equity/Net Assets	$7,433	$566	$345,482	($16,714)	$336,767
600	Total Liabilities and Equity/Net Assets	$9,173	$3,175	$725,891	$1,555,608	$2,293,847
703	Net Tenant Rental Revenue	$0	$0	$0	$131,827	$131,827
704	Tenant Revenue - Other	$0	$0	$0	$14,829	$14,829
705	Total Tenant Revenue	$0	$0	$0	$146,656	$146,656
706	HUD PHA Operating Grants	$0	$7,944	$2,097,765	$0	$2,105,709
711	Investment Income - Unrestricted	$32	$0	$11,487	$917	$12,436
714	Fraud Recovery	$0	$0	$19,344	$0	$19,344
715	Other Revenue	$12,751	$0	$882	$0	$13,633
700	Total Revenue	$12,783	$7,944	$2,129,478	$147,573	$2,297,778
911	Administrative Salaries	$6,528	$0	$184,224	$9,706	$200,458

Tuscarawas Metropolitan Housing Authority Combining FDS Schedule Submitted To REAC Propriety Fund Type- Enterprise Fund March 31, 2007						
Line Item No.	Account Description	Business Activities	Shelter Plus Care	Housing Choice Vouchers	Component Units	Total
912	Auditing Fees	$0	$0	$3,572	$2,100	$5,672
914	Compensated Absences	$0	$0	($2,089)	$0	($2,089)
915	Employee Benefit Contributions - Administrative	$1,488	$0	$93,841	$0	$95,329
916	Other Operating - Administrative	$3,975	$0	$47,136	$20,353	$71,464
931	Water	$0	$0	$231	$18,997	$19,228
932	Electricity	$0	$0	$2,124	$6,317	$8,441
933	Gas	$0	$0	$604	$0	$604
938	Other Utilities Expense	$0	$0	$0	$3,529	$3,529
941	Ordinary Maintenance and Operations - Labor	$0	$0	$0	$9,639	$9,639
942	Ordinary Maintenance and Operations - Materials and Other	$0	$0	$5,139	$6,412	$11,551
943	Ordinary Maintenance and Operations - Contract Costs	$0	$0	$4,891	$5,337	$10,228
961	Insurance Premiums	$0	$0	$2,772	$3,611	$6,383
963	Payments in Lieu of Taxes	$0	$0	$0	$14,185	$14,185
964	Bad Debt - Tenant Rents	$0	$0	$0	$2,988	$2,988
967	Interest Expense	$0	$0	$13,177	$23,909	$37,086
969	Total Operating Expenses	$11,991	$0	$355,622	$127,083	$494,696
970	Excess Operating Revenue over Operating Expenses	$792	$7,944	$1,773,856	$20,490	$1,803,082
973	Housing Assistance Payments	$0	$7,378	$1,868,518	$0	$1,875,896
974	Depreciation Expense	$0	$0	$25,124	$47,611	$72,735
900	Total Expenses	$11,991	$7,378	$2,249,264	$174,694	$2,443,327
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	$792	$566	($119,786)	($27,121)	($145,549)
1104	Prior Period Adjustment	$0	$0	($53,691)	$0	($53,691)
1103	Beginning Equity	$6,641	$0	$518,959	$10,407	$536,007
	Ending Equity	$7,433	$566	$345,482	($16,714)	$336,767
1120	Unit Months Available	0	40	6,888	480	7,408
1121	Number of Unit Months Leased	0	19	6,754	435	7,208
1117	Administrative Fee Equity	$0	$0	$287,542	$0	$287,542
1118	Housing Assistance Payments Equity	$0	$0	$57,940	$0	$57,940

Tuscarawas Metropolitan Housing Authority
Schedule of Expenditure of Federal Award
For the Year Ended March 31, 2007

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	$2,097,765
Total Housing Choice Voucher Program		2,097,765
Total Expenditure of Federal Award		$2,097,765

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

Board of Directors
Tuscarawas Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of Tuscarawas Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2007, which collectively comprise the Tuscarawas Metropolitan Housing Authority, Ohio, basic financial statements and have issued my report thereon dated October 4, 2007. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I have identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control. I consider the deficiencies TMHA-2007-1 and TMHA-2007-2, described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the authority' internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above are a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tuscarawas Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 result of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.
October 4, 2007

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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

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, 2007. 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 with each of its major federal programs for the year ended March 31, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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.
October 4, 2007

Tuscarawas Metropolitan Housing Authority

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

March 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
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 BASIC FINANCIAL STATEMENTS

Significant Deficiency	TMHA-2006-1

Analysis of the Authority financial statements revealed a revenue account (Rental Assistance Portability Voucher) with a negative balance of $2,220. After further review it was discovered that there were errors in posting portability payments received and made:

The general ledger default account for portability billing to another housing authority was to credit the "Rental Assistance Port Voucher" (revenue account). The correct entry should have been a reduction to the "HAP Expense Account". This error resulted in the revenue and HAP expense to be over stated.

The general ledger default account for portability payments to another housing authority was also to debit the Rental Assistance Port Voucher (revenue account). The correct entry is to debt the HAP portability expense for the HAP portion and administration fee portability expense account for the administration fee charged by the other Authority. This resulted in revenue and expenses to be understated.

The net effect of the above errors was immaterial to the financial statements. Therefore, no audit adjustment was proposed. It is believed that the above errors were due to error in setting up the default accounts in posting those transactions.

Recommendation: I recommend that the Authority reviews the default accounts in the computer system for the portability transaction and make the necessary corrections.

Authority Response: Currently the Authority does not have any portability vouchers. However, the general ledger default account will be reviewed and corrected.

Significant Deficiency	TMHA-2006-2

A review of the unaudited financial statements filed with REAC revealed several errors in reporting the transactions for the Housing Choice Voucher Program that resulted in the Authority receiving a conditional acceptance:

- HUD recapture of FY2004 excess reserve in the Housing Choice Voucher Program was not reflected in the financial statements. This resulted in an audit adjustment of $53,691 to properly state revenue earned.

- The Net Asset reported on the FDS line 513.1 for the Voucher Program of $345,482 did not reconcile with the detail line items:

    - Admin Fee Equity (line 1117) $276,988
    - HAP Fee Equity (line 1118) $ 67,612

  The variance of $882 represents the amount reported in line 715 – Other Income. This amount was not included in the detail calculation of the

Administration Fee Equity. Audit Adjustment was necessary to correct this error.

- The Fraud Recovery money reported on line 714 of $9,672 was reported as 100% in the HAP Fee Equity calculation. HUD requires that the Authority reports 50% to the Administration Fee Equity and 50% to the HAP Fee Equity. The $9,672 represents only the 50% administration portion; there was an error in reporting this amount in the HAP Equity. Audit Adjustment was necessary to properly report the fraud recovery income and expense.

The above errors were due to new detail line added on the REAC submission that the Authority was not aware off nor did it fully understood.

Recommendation: Due care must be exercise in preparing financial statements.

Authority Response: The above corrections were made.

Tuscarawas Metropolitan Housing Authority
Schedule of Findings and Questioned Costs (Continued)
OMB Circular A-133 § .505

March 31, 2007

3. FINDINGS REALTED TO FEDERAL AWARDS

There are no Findings or questioned costs For the Year Ended March 31, 2007.

Tuscarawas Metropolitan Housing Authority
Schedule of Prior Audit Findings
March 31, 2007

The audit report for the fiscal year ended March 31, 2006 contained no audit findings.

Mary Taylor, CPA
Auditor of State

TUSCARAWAS COUNTY METROPOLITAN HOUSING AUTHORITY

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 27, 2007

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