

**STARK METROPOLITAN HOUSING AUTHORITY**

**AUDIT REPORT**

**FOR THE YEAR ENDED MARCH 31, 2006**





Mary Taylor, CPA  
Auditor of State

January 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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**Auditor of State  
Betty Montgomery**

Board of Directors  
Stark Metropolitan Housing Authority  
400 East Tuscarawas Street  
Canton, Ohio 44702

We have reviewed the *Independent Auditor's Report* of the Stark Metropolitan Housing Authority, Stark County, prepared by James G. Zupka, CPA, Inc., for the audit period April 1, 2005 through March 31, 2006. 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 Stark 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 28, 2006

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**STARK METROPOLITAN HOUSING AUTHORITY**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Stark Metropolitan Housing Authority  
Canton, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the Stark Metropolitan Housing Authority (SMHA) as of March 31, 2006, and for the year then ended, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the Stark Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the component units of Stark Metropolitan Housing Authority (see Note 1C for a description), which statements reflect total assets constituting less than four percent of the total assets at March 31, 2006 and total operating revenues constituting less than two percent of total operating revenues for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, is based solely on the report of such other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the Stark Metropolitan Housing Authority as of March 31, 2006, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2006, on our consideration of Stark Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken a whole. 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 Schedules (FDS) and Schedule of Capital Grants-Completed are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

October 25, 2006

**STARK METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**for the Year ended March 31, 2006**  
**(Unaudited)**

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The Stark Metropolitan Housing Authority ("the Authority") management's discussion and analysis is designed to assist the reader on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the fiscal year end March 31, 2006, activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 10).

**FINANCIAL HIGHLIGHTS**

- The Authority's net assets decreased by \$2.14 million, or 2.8 percent, during 2006, mainly due to a loss in Results from Operations of \$3.16 million. Since the Authority engages only in business-type activities, the decrease is all in that category. Net assets were \$76.35 million and \$74.21 million for 2005 and 2006, respectively.
- Revenues decreased by \$0.17 million, or .64 percent, during 2005 and were \$26.6 million and \$26.43 million for 2005 and 2006, respectively.
- The total expenses of all Authority programs increased by \$0.58 million, or 2 percent. Total expenses were \$29.01 million and \$29.59 million for 2005 and 2006, respectively.

**USING THIS ANNUAL REPORT**

The 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 Discussion and Analysis - pages 3-9**

**Basic Financial Statements**  
**Authority-Wide Financial Statements - pages 10-12**  
**Notes to Financial Statements - pages 13-29**

**Other Required Supplementary Information**  
**Required Supplementary Information - pages 30-33**  
**(other than MD&A)**

**STARK METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**for the Year ended March 31, 2006**  
**(Unaudited)**

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The primary focus of the Authority's financial statements is on both the Authority as a whole (Authority-wide) and the component units. This perspective (Authority-wide and Major Fund) allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority-wide financial statements (see pages 10-12) 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.

These 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, equals "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 of the Statement of Net Assets (the "Unrestricted Net Assets") is designed 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 Activities* (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense.

The focus of the Statement of Activities is the "Change in Net Assets", which is similar to Net Income or Loss.

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

**STARK METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**for the Year ended March 31, 2006**  
**(Unaudited)**

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**Fund Financial Statements**

The Authority consists of exclusively enterprise funds. Enterprise funds utilize the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector accounting.

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

**THE AUTHORITY'S FUNDS**

**Business Type Funds**

***Conventional Public Housing*** - Under the Conventional Public Housing Program, the Authority rents units it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30 percent of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

***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 household income.

***Other Non-Major Funds***

***Component Unit Activities*** - represents resources developed from a variety of activities.

***Business Activities*** - represents non-HUD resources developed from a variety of activities.

***Comprehensive Housing Counseling Grant*** - a grant program funded by the Department of Housing and Urban Development to provide housing counseling services.

**STARK METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**for the Year ended March 31, 2006**  
**(Unaudited)**

**AUTHORITY-WIDE STATEMENTS**

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

**Table 1 - Statement of Net Assets**

	2006 (in Millions) of Dollars	2005 In Millions) of Dollars
<b><u>ASSETS</u></b>		
Current and Other Assets	\$ 6.10	\$ 7.97
Capital Assets	71.17	72.05
Notes/Mortgages	<u>2.33</u>	<u>2.16</u>
<b>Total Assets</b>	<u>79.60</u>	<u>82.18</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities	2.58	2.49
Long-Term Liabilities	<u>2.81</u>	<u>3.34</u>
<b>Total Liabilities</b>	<u>5.39</u>	<u>5.83</u>
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets, Net of Related Debt	69.46	69.86
Unrestricted	<u>4.75</u>	<u>6.49</u>
<b>Total Net Assets</b>	<u>74.21</u>	<u>76.35</u>
<b>Totals</b>	<u>\$ 79.60</u>	<u>\$ 82.18</u>

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

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

During 2005, current and other assets decreased by \$1.87 million, and current liabilities increased by \$0.09 million.

Capital assets also changed, decreasing from \$72.05 million to \$71.17 million. The \$0.88 million decrease may be attributed primarily to a combination of net acquisitions (\$4.28 million), less current year depreciation and amortization (\$5.16) million. For more detail see "Capital Assets and Debt Administration" below.

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

**STARK METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**for the Year ended March 31, 2006**  
**(Unaudited)**

**Table 2 - Change of Unrestricted Net Assets**

	Millions of Dollars
Unrestricted Net Assets 04/01/05	\$ 6.49
Results of Operations	(6.16)
Adjustments:	
Depreciation (1)	5.16
Capital Expenditures and Debt Interest Payments (2)	(0.74)
Unrestricted Net Assets 03/31/06	\$ 4.75

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted.

While the Results of Operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

**Statement of Activities**

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

**Table 3 - Statement of Activities**

	2006 (Millions of Dollars)	2005 (Millions of Dollars)
<b>Revenues</b>		
Tenant Revenue - Rents and Other	\$ 4.70	\$ 4.59
Operating Subsidies and Grants	18.17	19.75
Capital Grants	2.89	1.90
Investment Income	0.17	.07
Other Revenues	0.50	.29
<b>Total Revenues</b>	26.43	26.60
<b>Expenses</b>		
Administrative	4.98	5.70
Tenant Services	0.51	.64
Utilities	3.59	3.02
Maintenance	4.66	4.89
Protective Services	0.15	.24
General/Other	2.16	1.30
Housing Assistance Payments	8.38	8.54
Depreciation	5.16	4.68
<b>Total Expenses</b>	29.59	29.01
Net Increase (Decrease)	\$ (3.16)	\$ (2.41)

**STARK METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**for the Year ended March 31, 2006**  
**(Unaudited)**

**MAJOR FACTORS AFFECTING THE STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

Tenant revenue increased slightly during 2006 in comparison to 2005. Operating subsidies decreased, but capital grants increased approximately 1.0 million or 52 percent.

Administrative expense decreased by \$.72 million as a result of staffing reductions while utility expenses increased by \$.57 million, mostly due to the large increase in natural gas rates. Ordinary maintenance expense decreased \$.23 million primarily from wages and benefits. Protective services decreased \$.09 million, and depreciation increased by \$.48 million. Most expenses increased moderately due to inflation, with the exception of utilities. The Authority continues to reduce natural gas expense through a special rate negotiation initiative.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year end, the Authority had 71.17 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation) of \$0.88 million or 1.2 percent from the end of last year.

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

	2006 (Millions of Dollars)	2005 (Millions of Dollars)
Land and Land Rights	\$ 12.97	\$ 13.02
Buildings	124.86	116.80
Equipment - Administrative and Dwelling	4.13	4.16
Accumulated Depreciation	(74.28)	(68.98)
Construction in Progress	3.49	7.05
<b>Total</b>	<u>\$ 71.17</u>	<u>\$ 72.05</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on Note 5 of the notes to the basic financial statements.

**Table 5 - Change in Capital Assets (In Millions)**

	2006	2005
Beginning Balance	\$ 72.05	\$ 73.25
Additions, Net of Retirements	4.28	3.48
Depreciation and Amortization	(5.16)	(4.68)
Ending Balance	<u>\$ 71.17</u>	<u>\$ 72.05</u>

This year's majority additions, primarily capital expenditures related to modernizing the Authority's housing developments.



**STARK METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**for the Year ended March 31, 2006**  
**(Unaudited)**

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**DEBT OUTSTANDING**

As of year-end, the Authority had \$1.71 million in debt (bonds, notes, etc.) outstanding compared to \$2.19 million last year, a \$0.48 million decrease.

**Table 6 - Outstanding Debt, at Year-End (In Millions)**

	<u>Total 2006</u>	<u>Total 2005</u>
Primary Government	\$ .65	\$ 1.30
Component Units	<u>1.06</u>	<u>.89</u>
<b>Total</b>	<u><u>\$ 1.71</u></u>	<u><u>\$ 2.19</u></u>

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

**FINANCIAL CONTACT**

Questions concerning any information provided in this report or request for additional information should be addressed to Amanda S. Fletcher, Executive Director, Stark Metropolitan Housing Authority, 400 East Tuscarawas Street, Canton, Ohio 44702-1131, or call 330-454-8051.

**STARK METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	Primary Government	Component Units	Totals
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,572,419	\$ 372,351	\$ 1,944,770
Investments	1,245,739	158,791	1,404,530
Accounts Receivable - Net of Allowance	1,680,736	137,084	1,817,820
Inventories - Net of Allowance	488,793	0	488,793
Prepaid Expenses	<u>423,946</u>	<u>23,513</u>	<u>447,459</u>
Total Current Assets	<u>5,411,633</u>	<u>691,739</u>	<u>6,103,372</u>
Non-Current Assets:			
Capital Assets, Not Depreciated	16,375,687	92,449	16,468,136
Capital Assets - Net of Accumulated Depreciation	53,302,126	1,402,969	54,705,095
Non-Current Assets:			
Notes and Mortgages Receivable	<u>1,714,080</u>	<u>610,649</u>	<u>2,324,729</u>
Total Non-Current Assets	<u>71,391,893</u>	<u>2,106,067</u>	<u>73,497,960</u>
<b>Total Assets</b>	<b><u>\$ 76,803,526</u></b>	<b><u>\$ 2,797,806</u></b>	<b><u>\$ 79,601,332</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Current Liabilities:			
Bank Overdraft	\$ 367,739	\$ 0	\$ 367,739
Accounts Payable	584,164	119,416	703,580
Current Portion of Long-Term Debt	162,523	37,454	199,977
Intergovernmental Payable	253,303	0	253,303
Accrued Wages and Payroll Taxes	495,473	0	495,473
Tenant Security Deposits	387,931	11,282	399,213
Deferred Credits and Other Liabilities	<u>159,156</u>	<u>2,552</u>	<u>161,708</u>
Total Current Liabilities	<u>2,410,289</u>	<u>170,704</u>	<u>2,580,993</u>
Non-Current Liabilities:			
Long-Term Debt Net of Current	488,705	1,025,132	1,513,837
Other Long-Term Liabilities:			
Compensated Absences	358,454	0	358,454
Other Non-Current Liabilities	<u>0</u>	<u>936,167</u>	<u>936,167</u>
Total Non-Current Liabilities	<u>847,159</u>	<u>1,961,299</u>	<u>2,808,458</u>
<b>Total Liabilities</b>	<b><u>3,257,448</u></b>	<b><u>2,132,003</u></b>	<b><u>5,389,451</u></b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	69,026,585	432,832	69,459,417
Unrestricted Net Assets	<u>4,519,493</u>	<u>232,971</u>	<u>4,752,464</u>
<b>Total Net Assets</b>	<b><u>73,546,078</u></b>	<b><u>665,803</u></b>	<b><u>74,211,881</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 76,803,526</u></b>	<b><u>\$ 2,797,806</u></b>	<b><u>\$ 79,601,332</u></b>

See accompanying notes to the basic financial statements.

**STARK METROPOLITAN HOUSING AUTHORITY**  
**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -**  
**PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
<b><u>Operating Revenues</u></b>			
Program Operating Grants/Subsidies	\$17,868,507	\$ 301,237	\$18,169,744
Tenant Revenues	4,605,957	95,769	4,701,726
Other Income	<u>439,516</u>	<u>57,726</u>	<u>497,242</u>
<b>Total Operating Revenues</b>	<u>22,913,980</u>	<u>454,732</u>	<u>23,368,712</u>
<b><u>Operating Expenses</u></b>			
Administrative	4,828,513	152,725	4,981,238
Tenant Services	509,753	0	509,753
Utilities Expenses	3,521,401	71,304	3,592,705
Ordinary Maintenance Operation	4,554,092	109,624	4,663,716
Protective Services	146,229	0	146,229
General	1,734,529	237,466	1,971,995
Housing Assistance Expenses	8,378,361	0	8,378,361
Depreciation	5,119,371	44,027	5,163,398
Other Expenses	<u>117,760</u>	<u>0</u>	<u>117,760</u>
<b>Total Operating Expenses</b>	<u>28,910,009</u>	<u>615,146</u>	<u>29,525,155</u>
Operating Income (Loss)	<u>(5,996,029)</u>	<u>(160,414)</u>	<u>(6,156,443)</u>
<b><u>Non-Operating Revenue (Expenses)</u></b>			
Capital Grants	2,894,708	0	2,894,708
Interest Income	87,785	80,210	167,995
Interest Expense	(21,194)	(49,143)	(70,337)
Gain on Sale of Capital Assets	<u>3,470</u>	<u>0</u>	<u>3,470</u>
<b>Total Non-Operating Revenue (Expenses)</b>	<u>2,964,769</u>	<u>31,067</u>	<u>2,995,836</u>
Excess (Deficiency) of Revenue Over (Under) Expenses	<u>(3,031,260)</u>	<u>(129,347)</u>	<u>(3,160,607)</u>
Beginning Net Assets	75,696,649	654,735	76,351,384
Prior Period Adjustments	<u>880,689</u>	<u>140,415</u>	<u>1,021,104</u>
<b>ENDING NET ASSETS</b>	<u>\$73,546,078</u>	<u>\$ 665,803</u>	<u>\$74,211,881</u>

See accompanying notes to the basic financial statements.

**STARK METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
<b><u>Cash Flows from Operating Activities</u></b>			
Cash Received from HUD and Other Governments	\$17,924,481	\$ 321,435	\$18,245,916
Cash Received from Tenants	4,523,312	104,368	4,627,680
Cash Received from Other Sources	554,878	57,726	612,604
Cash Payments for Housing Assistance Payments	(8,378,361)	0	(8,378,361)
Cash Payments for Administrative	(5,069,278)	(152,725)	(5,222,003)
Cash Payments for Other Operating Expenses	(10,430,107)	(563,079)	(10,993,186)
Cash Payments to HUD and Other Governments	<u>(29,827)</u>	<u>0</u>	<u>(29,827)</u>
<b>Net Cash (Used) by Operating Activities</b>	<b><u>(904,902)</u></b>	<b><u>(232,275)</u></b>	<b><u>(1,137,177)</u></b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Principal Payments on Debt	(649,830)	(36,060)	(685,890)
Acquisition of Fixed Assets	(2,979,351)	(282,636)	(3,261,987)
Debt Proceeds	0	208,851	208,851
Capital Grants Received	2,894,708	0	2,894,708
Proceeds from Sale of Certificates of Deposit	<u>5,175</u>	<u>0</u>	<u>5,175</u>
<b>Net Cash Provided by Capital and Other Related Financing Activities</b>	<b><u>(729,298)</u></b>	<b><u>(109,845)</u></b>	<b><u>(839,143)</u></b>
<b><u>Cash Flows from Investing Activities</u></b>			
Investments Redeemed (Purchased)	(492,739)	89,226	(403,513)
Investment Income	87,785	80,210	167,995
Interest Expense	<u>(21,194)</u>	<u>(49,143)</u>	<u>(70,337)</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>(426,148)</u></b>	<b><u>120,293</u></b>	<b><u>(305,855)</u></b>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,060,348)	(221,827)	(2,282,175)
Cash and Cash Equivalents, Beginning	<u>3,265,028</u>	<u>594,178</u>	<u>3,859,206</u>
<b>Cash and Cash Equivalents, Ending</b>	<b><u>\$ 1,204,680</u></b>	<b><u>\$ 372,351</u></b>	<b><u>\$ 1,577,031</u></b>
<b><u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u></b>			
Net Operating Income (Loss)	\$(5,996,029)	\$ (160,414)	\$(6,156,443)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities			
Depreciation	5,119,371	44,027	5,163,398
(Increase) Decrease in:			
Receivables - Net of Allowance	(342,671)	492,431	149,760
Inventory	(1)	0	(1)
Notes Receivable and Prepaid Expenses	492,030	(463,634)	28,396
Increase (Decrease) in:			
Accounts Payable	97,045	(107,635)	(10,590)
Non-Current Liabilities	(316,388)	0	(316,388)
Accrued Wages/Payroll Taxes	75,623	0	75,623
Intergovernmental Payable	(29,827)	0	(29,827)
Tenants' Security Deposits	4,750	3,838	8,588
Deferred Credits/Other Liabilities	<u>(8,805)</u>	<u>(40,888)</u>	<u>(49,693)</u>
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ (904,902)</u></b>	<b><u>\$ (232,275)</u></b>	<b><u>\$ (1,137,177)</u></b>

See accompanying notes to the basic financial statements.

**STARK METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006**

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

**A. Description of the Entity and Programs**

The Stark Metropolitan Housing Authority is a political subdivision created under Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. 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 rent subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The Authority participates in the Section 8 Existing, Moderate Rehab, and Voucher Program provided by HUD. These programs help assist families in the payment of rent. Under the Certificate program, the dwelling unit a family will occupy must not exceed rent limitations in accordance with HUD guidelines. Under the Voucher program, the Authority determines the amount of subsidy a family will receive using HUD guidelines; however, there is a limit to the amount charged to the family. Under the Moderate Rehab program, subsidy payments are made directly to the landlord on behalf of families living in their respective unit. The Authority also participates in the Public Housing program. Under this program, the Authority manages constructed or financed public housing units using grant funds from HUD. Tenants of these facilities pay a percentage of his/her adjusted gross income towards rent and utilities.

**B. Summary of Significant Accounting Policies**

The financial statements of the Stark 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.

**C. Reporting Entity**

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to insure that the financial statements are not misleading consistent with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. Based on application of the criteria set forth in GASB Statement No. 14, the Authority evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the Authority, and whether exclusion would cause the basic financial statements to be

**STARK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
**(CONTINUED)**

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

C. **Reporting Entity** (Continued)

misleading or incomplete. Among the factors considered were whether the Authority holds the PCU's corporate power, appoints a voting majority of the PCU's board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the Authority and the PCU.

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to insure that the financial statements are not misleading consistent with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. Based on application of the criteria set forth in GASB Statement No. 14, the Authority evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the Authority, and whether exclusion would cause the basic financial statements to be misleading or incomplete. Among the factors considered were whether the Authority holds the PCU's corporate power, appoints a voting majority of the PCU's board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the Authority and the PCU.

The primary government of the Authority consists of all funds, agencies, departments and offices that are not legally separate from the Authority. The preceding financial statements include all funds and account groups of the Authority (the primary government) and the Authority's component units. The following organizations are described due to their relationship to the Authority.

**Discretely Presented Component Units**

The component units column in the combined financial statements identifies the financial data of the Authority's three component units: the Freed Housing Corporation, the Washington Area Housing Agency, LLC, and the Stark Metropolitan Housing Authority Credit Union. They are reported separately to emphasize that they are legally separate from the Authority and provide services to clients of the Authority and others.

The Freed Housing Corporation (the Corporation) is a legally separate, non-profit organization, served by a board composed of local officials and community representatives. They are charged with the responsibilities of advancing, encouraging and promoting housing and related services to low and moderate income persons in the Stark County area. The Corporation is empowered with the ability to carry out the actions they consider necessary to achieve these responsibilities.

**STARK METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

C. **Reporting Entity** (Continued)

***Discretely Presented Component Units*** (Continued)

Due to the nature and significance of the Corporation's relationship to the Authority, the Corporation is presented as a component unit of the Authority. The Corporation has elected not to apply GASB Statement 29 since they have applied the AICPA not-for-profit model. Separately issued audited financial statements can be obtained from the Authority.

The Washington Area Housing Agency, LLC, is a for-profit limited liability corporation formed under the laws of the State of Ohio. The corporation was formed for the purpose of acquiring and operating Washington Towne Homes, a multi-family residential housing project in Stark County, Ohio. Separately issued audited financial statements can be obtained from the Authority.

The Stark Metropolitan Housing Authority Credit Union is a federal credit union chartered under the laws of the United States. The purpose of the credit union is to provide its members the opportunity to accumulate savings and to create a source of credit for them. Separately issued audited financial statements can be obtained from the Authority.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

D. **Fund Accounting**

The Authority uses enterprise funds to report on its financial position and the results of its operations for the Section 8 and public housing 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.

E. **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:

**STARK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
**(CONTINUED)**

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

E. **Proprietary Fund Types** (Continued)

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.

F. **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 has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. The Authority will continue applying all applicable pronouncements issued by the *Governmental Accounting Standards Board*.

G. **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 2006 totaled \$87,785 for the primary government and \$80,210 for the component unit.

H. **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.

I. **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.



**STARK METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006  
(CONTINUED)**

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

**J. Compensated Absences**

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

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

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

**K. Capital Contributions**

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

**L. Budgetary Accounting**

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

**STARK METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006  
(CONTINUED)**

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

M. **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.

NOTE 2: **DEPOSITS AND INVESTMENTS**

In 2006, the Authority adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This new standard revised the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on net assets and change in net assets in the prior or current year.

A. **Deposits**

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

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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

**STARK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
**(CONTINUED)**

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NOTE 2: **DEPOSITS AND INVESTMENTS** (CONTINUED)

A. **Deposits** (Continued)

At year-end, the carrying amount of the Authority's deposits was \$2,450,419 (including \$796,409 of unrestricted funds, \$1,653,000 of nonnegotiable certificates of deposit and \$1,010 of petty cash) and the bank balance was \$2,794,513.

*Custodial Credit Risk*

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling \$302,292 were covered by Federal Depository Insurance and deposits totaling \$2,492,221 were uninsured and collateralized with securities held by the financial institution's trust department or agent, but not in the Authority's name.

B. **Investments**

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value.

**STARK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
**(CONTINUED)**

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

B. **Investments** (Continued)

*Interest Rate Risk*

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

*Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk*

Generally, the Authority places no limit on the amount it may invest in any one insurer. However, the investment policy limits the investment of HUD - approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represents 100 percent of its deposits.

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

Reconciliation of cash and cash equivalents and investments is as follows:

	<u>Cash and Cash</u>	<u>Investments</u>
	<u>Equivalents *</u>	<u></u>
Per Statement of Net Assets	\$ 1,204,680	\$ 1,245,739
Certificates of Deposit (Nonnegotiable)	<u>1,245,739</u>	<u>(1,245,739)</u>
Per GASB Statement No. 3	<u>\$ 2,450,419</u>	<u>\$ 0</u>

\*Includes Petty Cash and Bank Overdraft

**STARK METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006  
(CONTINUED)**

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NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

C. **Component Unit**

At year end, the carrying amount of the component units deposits was \$372,351, of this amount \$237,654 was covered by FDIC insurance and the balance was covered by a pledged collateral pool. Investments of the component unit consisted of money market funds at a local financial institution. Of these funds, \$100,000 was covered by FDIC insurance and the balance is covered by a pledged collateral pool.

NOTE 3: **NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

The accompanying Schedule of Federal Awards expenditures 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: **INSURANCE COVERAGE**

The Authority is covered for property damage and general liability through the Housing Authority Insurance Company. Auto liability and auto physical damage are covered through separate insurance companies. Deductible and coverage limits are summarized below:

	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 10,000	\$ 189,337,920 (in total)
General Liability	5,000	5,000,000
Auto Liability	0	1,000,000
Auto Physical Damage	500	ACV
Commercial Inland Marine	13,000	130,000
Lead Inspectors' Professional Liability	5,000	1,000,000
Boiler and Machinery	10,000	50,000,000

There was no significant reduction in coverages and no claims exceeded insurance coverage during the past three years.

**STARK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
**(CONTINUED)**

**NOTE 5: CAPITAL ASSETS**

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
<i>Capital Assets Not Depreciated</i>			
Land	\$ 12,881,649	\$ 92,449	\$ 12,974,098
Construction in Progress	3,494,038	0	3,494,038
<i>Total Capital Assets Not Depreciated</i>	<u>16,375,687</u>	<u>92,449</u>	<u>16,468,136</u>
<i>Capital Assets Being Depreciated</i>			
Buildings and Building Improvements	123,362,192	1,492,342	124,854,534
Furniture and Equipment Dwelling	4,079,324	47,723	4,127,047
<i>Total Capital Assets being Depreciated</i>	<u>127,441,516</u>	<u>1,540,065</u>	<u>128,981,581</u>
Less Accumulated Depreciation	<u>(74,139,390)</u>	<u>(137,096)</u>	<u>(74,276,486)</u>
<i>Net Capital Assets Being Depreciated</i>	<u>53,302,126</u>	<u>1,402,969</u>	<u>54,705,095</u>
<b>Total Capital Assets</b>	<u>\$ 69,677,813</u>	<u>\$ 1,495,418</u>	<u>\$ 71,173,231</u>

The following is a summary of changes:

	<u>Primary Government</u>				
	<u>Balance 04/30/2005</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 03/31/2006</u>
<i>Capital Assets Not Being Depreciated</i>					
Land	\$ 12,926,645	\$ (44,996)	\$ 0	\$ 0	\$ 12,881,649
Construction in Progress	<u>7,056,335</u>	<u>0</u>	<u>2,894,708</u>	<u>(6,457,005)</u>	<u>3,494,038</u>
<i>Total Capital Assets, Not Being Depreciated</i>	<u>19,982,980</u>	<u>(44,996)</u>	<u>2,894,708</u>	<u>(6,457,005)</u>	<u>16,375,687</u>
<i>Capital Assets Being Depreciated</i>					
Buildings and Building Improvements	115,582,226	1,340,395	6,439,571	0	123,362,192
Furniture and Equipment Dwelling	<u>4,116,727</u>	<u>0</u>	<u>102,077</u>	<u>(139,480)</u>	<u>4,079,324</u>
<i>Total Capital Assets Being Depreciated</i>	<u>119,698,953</u>	<u>1,340,395</u>	<u>6,541,648</u>	<u>(139,480)</u>	<u>127,441,516</u>
Less Accumulated Depreciated	<u>(68,888,052)</u>	<u>(269,742)</u>	<u>(5,119,371)</u>	<u>137,775</u>	<u>(74,139,390)</u>
<i>Net Capital Assets Being Depreciated</i>	<u>50,810,901</u>	<u>1,070,653</u>	<u>1,422,277</u>	<u>(1,705)</u>	<u>53,302,126</u>
<b>Total Primary Government</b>	<u>\$ 70,793,881</u>	<u>\$ 1,025,657</u>	<u>\$ 4,316,985</u>	<u>\$ (6,458,710)</u>	<u>\$ 69,677,813</u>
	<u>Component Units</u>				
	<u>Balance 04/30/2005</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 03/31/2006</u>
<i>Capital Assets Not Being Depreciated</i>					
Land	\$ 89,203	\$ 0	\$ 3,246	\$ 0	\$ 92,449
<i>Total Capital Assets, Not Depreciated</i>	<u>89,203</u>	<u>0</u>	<u>3,246</u>	<u>0</u>	<u>92,449</u>
<i>Capital Assets Being Depreciated</i>					
Buildings and Building Improvements	1,214,771	0	277,571	0	1,492,342
Furniture and Equipment Dwelling	<u>45,904</u>	<u>0</u>	<u>1,819</u>	<u>0</u>	<u>47,723</u>
<i>Total Capital Assets Being Depreciated</i>	<u>1,260,675</u>	<u>0</u>	<u>279,390</u>	<u>0</u>	<u>1,540,065</u>
Less Accumulated Depreciation	<u>(93,431)</u>	<u>0</u>	<u>(44,027)</u>	<u>362</u>	<u>(137,096)</u>
<i>Net Capital Assets Being Depreciated</i>	<u>1,167,244</u>	<u>0</u>	<u>235,363</u>	<u>362</u>	<u>1,402,969</u>
<b>Net Component Units</b>	<u>\$ 1,256,447</u>	<u>\$ 0</u>	<u>\$ 238,609</u>	<u>\$ 362</u>	<u>\$ 1,495,418</u>

**STARK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
**(CONTINUED)**

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

The depreciation periods for the above asset classes are as follows:

Buildings	40 Years
Furniture and Equipment Dwellings	5 to 10 Years
Furniture and Equipment Administration	5 to 10 Years

Adjustments were necessary to restate fixed assets of the primary government for assets that were not on the Authority's books as of April 1, 2005. See Note 12 for further information.

NOTE 6: **DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employee contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the tradition plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the year ended March 31, 2006, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Authority's contribution rate for pension benefits for 2006 was 9.55 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the traditional plan for the years ended March 31, 2006, 2005 and 2004 were \$569,905, \$646,960, and \$627,395 respectively; 100 percent has been contributed for 2006, 2005 and 2004. No employees are participating in the combined or member directed plans.

**STARK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
**(CONTINUED)**

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**NOTE 7: POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care. The rate changed to 13.70 percent effective January 1, 2006.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 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 annually.

At December 31, 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$28,827. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.



**STARK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
**(CONTINUED)**

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

**Ohio Public Employees Retirement System** (Continued)

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 8: **COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws.

All permanent employees earn 4.6 hours sick leave per eighty (80) hours of service. Unused sick leave may be accumulated without limit. At the time of separation, if an employee or retiree qualifies under OPERS, and if the employee or retiree has accumulated 30 days (240 hours) or more of sick leave, they will be eligible to receive payment for up to fifteen days (or 120 hours) of unused sick leave, or 50 percent of their accumulated sick leave balance. All permanent employees earn vacation hours accumulated based on length of service. All vacation time earned may be accumulated up to 3 times the annual amount that can be accrued in a calendar year.

At March 31, 2005, based on the vesting method, \$740,059 was accrued by the Authority for unused vacation and sick time. The current portion is \$381,605 and the long term portion is \$358,454.

**STARK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
**(CONTINUED)**

**NOTE 9: LONG-TERM OBLIGATIONS**

Changes in the Authority's long-term obligations during fiscal year 2006 are as follows:

	<u>Balance</u> <u>at 3/31/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>at 3/31/06</u>	<u>Due Within</u> <u>One Year</u>
<b><u>General Long-Term Obligations</u></b>					
<i><u>Primary Government</u></i>					
Bank One Note, 5/12/2000					
5.26%, Geothermal Equipment	\$ 372,308	\$ 0	\$ (372,308)	\$ 0	\$ 0
United National Bank and					
Trust, 3/22/2002, 4.975%	134,010	0	(117,584)	16,426	16,426
United National Bank and					
Trust, 7/9/1999, 4.44%	327,194	0	(67,595)	259,599	69,578
Bank One, 11/03/1998					
4.18%, Energy Conservation	72,867	0	(43,700)	29,167	29,167
First Merit, 8/07/2002					
5.15%, Hillview Apartments	<u>394,679</u>	<u>0</u>	<u>(48,643)</u>	<u>346,036</u>	<u>47,352</u>
<i>Total Primary Government</i>	<u>1,301,058</u>	<u>0</u>	<u>(649,830)</u>	<u>651,228</u>	<u>162,523</u>
<i><u>Component Units</u></i>					
Freed Housing Corporation,					
(Various Notes)	375,304	208,851	(8,160)	575,995	8,979
Washington Area, Housing					
Agency LLC	<u>514,491</u>	<u>0</u>	<u>(27,900)</u>	<u>486,591</u>	<u>28,475</u>
<i>Total Component Units</i>	<u>889,795</u>	<u>208,851</u>	<u>(36,060)</u>	<u>1,062,586</u>	<u>37,454</u>
<b>Total Long-Term Obligations</b>	<u>\$ 2,190,853</u>	<u>\$ 208,851</u>	<u>\$ (685,890)</u>	<u>\$ 1,713,814</u>	<u>\$ 199,977</u>

**STARK METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006  
(CONTINUED)**

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NOTE 9: **LONG-TERM DEBT** (CONTINUED)

The Authority was obligated on the following notes as of March 31, 2006:

	2006
<b><u>United National Bank and Trust</u></b>	
Note dated March 22, 2002; payable in monthly installments of \$6,740, including interest at a fixed rate of 4.975% with the note due July, 2009. The note is issued for the purchase and improvements of a property at 700 McKinley Avenue.	\$ 16,426
<b><u>United National Bank and Trust</u></b>	
Note dated July 9, 1999; due July, 2006; payable in monthly installments of \$9,808 including interest at a fixed rate of 4.44%. The note was issued for the purchase of refrigerators for Public Housing Units.	259,599
<b><u>Bank One</u></b>	
Note dated November 3, 1998; due November 2006; payable in monthly installments of \$3,646 in principal plus interest at a fixed rate of 4.18%. The note was issued for the purpose of providing for energy conservation measure for the Sherrick Court Homes Development.	29,167
<b><u>First Merit</u></b>	
Note dated August 7, 2002; due July 2013; payable in monthly installments of \$5,340 including interest at a fixed rate of 5.15%. The note was issued to fund project costs of improvements to Hill View Apartments	346,036
Total	\$ 651,228

**STARK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
**(CONTINUED)**

NOTE 9: **LONG-TERM DEBT** (CONTINUED)

Total payments including interest necessary over the next five years on the above notes are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 31, 2007	\$ 162,523	\$ 31,920	\$ 194,443
March 31, 2008	122,963	22,240	145,203
March 31, 2009	129,484	15,719	145,203
March 31, 2010	95,332	9,421	104,753
March 31, 2011	58,322	5,982	64,304
2012-2016	<u>82,604</u>	<u>3,134</u>	<u>85,738</u>
Total	<u>\$ 651,228</u>	<u>\$ 88,416</u>	<u>\$ 739,644</u>

The debt schedule for the component units is as follows:

Freed Housing:

First Merit Bank - Promissory Note - Principal Amount - \$99,500 - Interest Rate 7.1%	\$ 96,038
First Merit Bank - Line of Credit	69,946
First Merit Bank - Promissory Note - Principal Amount \$187,000, Interest Rate of 2.99%	175,698
First Merit Bank - Promissory Note - Principal Amount \$97,000, Interest Rate of 8.0%	91,406
First Merit Bank - Promissory Note - Principal Amount \$50,000, Interest Rate of 7.21%	47,473
First Merit Bank - Promissory Note - Principal Amount \$50,000 - Interest Rate of 6.2%	43,130
First Merit Bank - Promissory Note - Principal Amount \$52,400 - Interest Rate of 7.68%	52,304
Washington Area Housing Agency LLC	<u>486,591</u>
Total	<u>\$1,062,586</u>

Amortization of the debt was not available.

NOTE 10: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had the following material construction commitments at March 31, 2006:

<u>Project</u>	<u>Amount</u>	<u>Balance Outstanding at 3-31-06</u>
Renovation of Canton Senior Center - General	\$4,941,603	\$4,622,986
Renovation of Canton Senior Center - Electrical	462,740	443,292
Renovation of Canton Senior Center - Plumbing and Heating	237,000	237,000

**STARK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
**(CONTINUED)**

**NOTE 11: LITIGATION**

The Authority is party to various legal proceedings. In the opinion of Stark Metropolitan Housing Authority, the ultimate disposition of these proceedings will not have a material effect on Stark Metropolitan Housing Authority's financial position. No provision has been made to the financial statements for the effect, if any, of such contingencies.

**NOTE 12: CHANGES IN FUND NET ASSETS**

The Authority (primary government) made the following adjustments to fund net assets in fiscal year 2006:

<u>Housing Choice Vouchers</u>	
Write-off of HUD Receivable	\$ (177,867)
 <u>Public Housing</u>	
Adjustment to Capital Assets	1,025,657
 <u>Miscellaneous</u>	
Other program adjustments	32,899
Total Adjustments	<u>\$ 880,689</u>

In addition, the Component Unit equity balance increased due to a change in the reporting of notes receivable in 2006 in the amount of \$140,415.

**NOTE 13: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS**

	<u>Freed Housing Corporation</u>	<u>Stark MHA Credit Union</u>	<u>Washington Area Housing LLC</u>	<u>Totals</u>
<b><u>Balance Sheet</u></b>				
Current Assets	\$ 268,882	\$ 369,336	\$ 53,521	\$ 691,739
Capital Assets	996,375	1,667	497,376	1,495,418
Other Assets	0	610,649	0	610,649
Current Liabilities	91,009	627	79,068	170,704
Non-Current Liabilities	567,016	936,167	458,116	1,961,299
Net Assets	607,232	44,858	13,713	665,803
 <b><u>Revenues Expenses and Change in Equity</u></b>				
Operating Revenue	\$ 153,214	\$ 132,579	\$ 249,149	\$ 534,942
Operating Expenses	183,527	122,771	231,881	538,179
Net Operating Income (Loss)	(30,313)	9,808	17,268	(3,237)
Net Non-Operating Revenue Over Expenses	(126,110)	0	0	(126,110)
Excess of Revenue Over Expenses	(156,423)	9,808	17,268	(129,347)

**STARK METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE  
COMBINING BALANCE SHEET BY PROGRAM  
MARCH 31, 2006**

Line Item No.	Account Description	Housing Counseling Assistance Program	N/C S/R Section 8 Programs	Shelter Plus Care	HOME Investment Partnerships Program	Section 8 Moderate Rehabilitation Single Room Occupancy	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0001	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0002	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0004	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local
111	Cash - Unrestricted	\$0	\$0	\$0	\$0	\$0	\$1,217,472	\$0	\$0	\$0	\$0	\$79,323	\$0	\$196,799
112	Cash-Restricted-Modernization and Development	0	0	0	0	0	0	0	0	0	0	0	78,825	0
100	<b>Total Cash</b>	0	0	0	0	0	1,217,472	0	0	0	0	79,323	78,825	196,799
122	Accounts Receivable - HUD Other Projects	0	12,618	0	0	0	0	0	0	1,035	0	0	856,525	0
125	Accounts Receivable - Miscellaneous	0	0	0	0	0	101,616	0	0	0	0	897	0	7,006
126	Accounts Receivable - Tenants - Dwelling Rents	0	0	0	0	0	185,206	0	0	0	0	0	0	17,787
126.1	Allowance for Doubtful Accounts- Dwelling Rents	0	0	0	0	0	-15,009	0	0	0	0	0	0	0
126.2	Allowance for Doubtful Accounts - Other	0	0	0	0	0	0	0	0	0	0	0	0	0
127	Notes, Loans, & Mortgages Receivable Current	0	0	0	0	0	431,362	0	0	0	0	0	0	0
128	Fraud Recovery	0	3,020	533	116	300	72,396	316	283	166	0	12,315	0	0
128.1	Allowance for Doubtful Accounts - Fraud	0	-91	-16	-4	-9	-7,240	-9	-8	-5	0	-370	0	0
120	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	0	15,547	517	112	291	768,331	307	275	1,196	0	12,842	856,525	24,793
131	Investments - Unrestricted	0	618,351	24,183	53,647	55,768	0	3,835	0	0	0	211,955	0	278,000
142	Prepaid Expenses and Other Assets	0	0	0	0	0	407,119	0	0	0	0	4,649	0	12,178
143	Inventories	0	0	0	0	0	499,788	0	0	0	0	0	0	0
143.1	Allowance for Obsolete Inventories	0	0	0	0	0	-10,995	0	0	0	0	0	0	0
144	Interprogram Due From	0	0	0	0	0	1,142,832	0	0	0	0	0	0	0
150	<b>Total Current Assets</b>	0	633,898	24,700	53,759	56,059	4,024,547	4,142	275	1,196	0	308,769	935,350	511,770
161	Land	0	0	0	0	0	12,862,049	0	0	0	0	0	0	19,600
162	Buildings	0	0	0	0	0	120,981,846	0	0	0	0	150,000	0	2,230,346
163	Furniture, Equipment & Machinery - Dwellings	0	0	0	0	0	64,047	0	0	0	0	0	0	9,650
164	Furniture, Equipment & Machinery- Administration	0	0	0	0	0	3,886,690	0	0	0	0	59,149	0	59,788
165	Leasehold Improvements	0	0	0	0	0	0	0	0	0	0	0	0	0
166	Accumulated Depreciation	0	0	0	0	0	-73,738,307	0	0	0	0	-86,573	0	-314,510
167	Construction In Progress	0	0	0	0	0	0	0	0	0	0	0	3,494,038	0
160	<b>Total Fixed Assets, Net of Accumulated Depreciation</b>	0	0	0	0	0	64,056,325	0	0	0	0	122,576	3,494,038	2,004,874
171	Notes, Loans, & Mortgages Receivable Non Current	0	0	0	0	0	1,714,080	0	0	0	0	0	0	0
174	Other Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
180	<b>Total Non-Current Assets</b>	0	0	0	0	0	65,770,405	0	0	0	0	122,576	3,494,038	2,004,874
190	<b>TOTAL ASSETS</b>	\$0	\$633,898	\$24,700	\$53,759	\$56,059	\$69,794,952	\$4,142	\$275	\$1,196	\$0	\$431,345	\$4,429,388	\$2,516,644

**STARK METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE  
COMBINING BALANCE SHEET BY PROGRAM  
MARCH 31, 2006**

Line Item No.	Account Description	Housing Counseling Assistance Program	N/C S/R Section 8 Programs	Shelter Plus Care	HOME Investment Partnerships Program	Section 8 Moderate Rehabilitation Single Room Occupancy	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0001	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0002	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0004	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local
311	Bank Overdraft	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$55,975	\$311,764	\$0	\$0	\$0	\$0
312	Accounts Payable <= 90 Days	0	0	0	0	0	582,438	0	0	0	0	0	0	0
313	Accounts Payable >90 Days Past Due	0	0	0	0	0	1,726	0	0	0	0	0	0	0
321	Accrued Wage/Payroll Taxes Payable	0	925	380	59	144	101,079	146	130	72	0	10,933	0	0
322	Accrued Compensated Absences - Current Portion	0	18,253	3,218	704	1,810	278,572	1,911	1,710	1,005	0	74,422	0	0
331	Accounts Payable - HUD PHA Programs	0	62,822	4,189	0	10,535	0	30,146	11,836	0	0	0	0	0
332	Accounts Payable - PHA Projects	0	20,293	612	67	262	0	0	211	0	0	8,407	0	0
333	Accounts Payable - Other Government	0	4,057	716	157	402	97,562	425	380	224	0	0	0	0
341	Tenant Security Deposits	0	0	0	0	0	367,591	0	0	0	0	0	0	20,340
342	Deferred Revenues	0	0	0	0	0	125,362	0	0	0	0	5,197	0	2,075
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	0	0	0	0	0	115,171	0	0	0	0	0	0	47,352
345	Other Current Liabilities	0	0	0	97	0	24,139	236	0	0	0	0	0	2,050
347	Interprogram Due To	0	0	0	0	0	0	0	0	0	0	0	935,350	207,482
310	<b>Total Current Liabilities</b>	0	106,350	9,115	1,084	13,153	1,693,640	32,864	70,242	313,065	0	98,959	935,350	279,299
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	0	0	0	0	0	190,021	0	0	0	0	0	0	298,684
354	Accrued Compensated Absences - Non Current	0	19,174	3,380	739	1,902	247,037	2,007	1,796	1,056	0	78,173	0	3,190
353	Noncurrent Liabilities - Other	0	0	0	0	0	0	0	0	0	0	0	0	0
350	<b>Total Noncurrent Liabilities</b>	0	19,174	3,380	739	1,902	437,058	2,007	1,796	1,056	0	78,173	0	301,874
300	<b>Total Liabilities</b>	0	125,524	12,495	1,823	15,055	2,130,698	34,871	72,038	314,121	0	177,132	935,350	581,173
508	Total Contributed Capital	0	0	0	0	0	0	0	0	0	0	0	0	0
508.1	Invested in Capital Assets, Net of Related Debt	0	0	0	0	0	63,751,133	0	0	0	0	122,576	3,494,038	1,658,838
511	Total Reserved Fund Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
511.1	Restricted Net Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
512.1	Unrestricted Net Assets	0	508,374	12,205	51,936	41,004	3,913,121	-30,729	-71,763	-312,925	0	131,637	0	276,633
513	<b>Total Equity/Net Assets</b>	0	508,374	12,205	51,936	41,004	67,664,254	-30,729	-71,763	-312,925	0	254,213	3,494,038	1,935,471
600	<b>TOTAL LIABILITIES AND EQUITY/NET ASSETS</b>	\$0	\$633,898	\$24,700	\$53,759	\$56,059	\$69,794,952	\$4,142	\$275	\$1,196	\$0	\$431,345	\$4,429,388	\$2,516,644

**STARK METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY BY PROGRAM**  
**MARCH 31, 2006**

Line Item No.	Account Description	Housing Counseling Assistance Program	N/C S/R Section 8 Programs	Shelter Plus Care	HOME Investment Partnerships Program	Section 8 Moderate Rehabilitation Single Room Occupancy	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0001	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0002	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0004	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local
703	Net Tenant Rental Revenue	\$0	\$0	\$0	\$0	\$0	\$4,438,861	\$0	\$0	\$0	\$0	\$0	\$0	\$167,096
705	Total Tenant Revenue	0	0	0	0	0	4,438,861	0	0	0	0	0	0	167,096
706	HUD PHA Operating Grants	24,274	1,597,795	373,012	111,501	91,965	5,923,796	184,601	126,060	80,533	0	6,791,728	1,743,446	0
706.1	Capital Grants	0	0	0	0	0	0	0	0	0	0	0	2,894,708	0
708	Other Government Grants	0	0	0	0	0	0	0	0	0	0	0	0	819,796
711	Investment Income - Unrestricted	0	5,188	1,162	0	323	49,062	676	434	252	0	21,381	0	9,307
712	Mortgage Interest Income	0	0	0	0	0	0	0	0	0	0	0	0	0
713.1	Cost of Sale of Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
714	Fraud Recovery	0	0	0	0	244	0	1,162	913	391	0	20,906	0	0
715	Other Revenue	0	0	0	0	0	147,901	0	0	0	0	725	0	267,274
716	Gain/Loss on Sale of Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	3,470
720	Investment Income - Restricted	0	0	0	0	0	0	0	0	0	0	0	0	0
700	<b>Total Revenue</b>	<b>24,274</b>	<b>1,602,983</b>	<b>374,174</b>	<b>111,501</b>	<b>92,532</b>	<b>10,559,620</b>	<b>186,439</b>	<b>127,407</b>	<b>81,176</b>	<b>0</b>	<b>6,834,740</b>	<b>4,638,154</b>	<b>1,266,943</b>
911	Administrative Salaries	27,973	48,186	9,935	1,445	3,403	1,139,807	3,578	3,200	1,992	2,714	361,113	655,109	216,945
912	Auditing Fees	0	721	89	45	89	10,091	137	132	80	0	3,297	1,000	0
913	Outside Management Fees	0	0	0	0	0	0	0	0	0	0	0	0	11,731
914	Compensated Absences	0	0	0	0	0	-20,336	0	0	0	0	0	0	0
915	Administrative	0	24,193	8,528	1,340	3,242	609,382	3,361	3,000	1,800	1,248	243,050	388,059	115,207
916	Other Operating - Administrative	0	9,236	767	597	1,038	663,812	680	653	624	0	47,500	196,428	22,292
921	Tenant Services - Salaries	0	0	0	0	0	158,625	0	0	0	0	0	0	99,880
922	Relocation Costs	0	0	0	0	0	0	0	0	0	0	0	2,850	0
923	Employee Benefit Contributions - Tenant Services	0	0	0	0	0	99,712	0	0	0	0	0	0	49,602
924	Tenant Services - Other	0	0	0	0	0	46,964	0	0	0	0	0	0	52,120
931	Water	0	0	0	0	0	395,708	0	0	0	0	0	0	3,427
932	Electricity	0	0	0	0	0	680,321	0	0	0	0	0	0	13,348
933	Gas	0	0	0	0	0	1,957,597	0	0	0	0	0	0	36,862
938	Other Utilities Expense	0	0	0	0	0	429,619	0	0	0	0	0	0	4,519
941	Labor	0	0	0	0	0	1,477,689	0	0	0	0	0	0	0
942	Materials and Other	0	0	0	0	0	441,206	0	0	0	0	5,250	0	2,680
943	Contract Costs	0	0	0	0	0	1,575,763	0	0	0	0	0	0	76,164
945	Ordinary Maintenance	0	0	0	0	0	975,340	0	0	0	0	0	0	0
951	Protective Services - Labor	0	0	0	0	0	79,826	0	0	0	0	0	0	0
952	Protective Services - Other Contract Costs	0	0	0	0	0	13,552	0	0	0	0	0	0	0
953	Protective Services - Other	0	0	0	0	0	3,749	0	0	0	0	0	0	0
955	Employee Benefit Contributions - Protective Services	0	0	0	0	0	49,102	0	0	0	0	0	0	0
961	Insurance Premiums	0	6,717	7,744	66	132	732,784	4,489	4,488	4,051	0	64,187	0	5,552
962	Other General Expenses	0	0	0	0	0	465,433	0	0	0	0	0	0	0
963	Payments in Lieu of Taxes	0	0	0	0	0	97,562	0	0	0	0	0	0	22,337
964	Bad Debt - Tenant Rents	0	0	0	0	0	99,353	0	0	0	0	0	0	12,414
965	Bad Debt - Mortgages	0	0	0	0	0	0	0	0	0	0	0	0	0
966	Bad Debt - Other	0	0	0	0	0	0	0	0	0	0	0	0	0
967	Interest Expense	0	0	0	0	0	108	0	0	0	0	0	0	21,086
968	Severance Expense	0	0	0	0	0	207,220	0	0	0	0	0	0	0
969	<b>Total Operating Expenses</b>	<b>27,973</b>	<b>89,053</b>	<b>27,063</b>	<b>3,493</b>	<b>7,904</b>	<b>12,389,989</b>	<b>12,245</b>	<b>11,473</b>	<b>8,547</b>	<b>3,962</b>	<b>724,397</b>	<b>1,243,446</b>	<b>766,166</b>



**STARK METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY BY PROGRAM**  
**MARCH 31, 2006**

Line Item No.	Account Description	Housing Counseling Assistance Program	N/C S/R Section 8 Programs	Shelter Plus Care	HOME Investment Partnerships Program	Section 8 Moderate Rehabilitation Single Room Occupancy	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0001	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0002	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0004	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local
970	Excess Operating Revenue over Operating Expenses	-3,699	1,513,930	347,111	108,008	84,628	-1,830,369	174,194	115,934	72,629	-3,962	6,110,343	3,394,708	500,777
972	Casualty Losses - Non-Capitalized	0	0	0	0	0	109,785	0	0	0	0	0	0	7,975
973	Housing Assistance Payments	0	1,497,395	342,049	99,501	75,162	0	166,913	110,224	71,216	0	6,015,901	0	0
974	Depreciation Expense	0	0	0	0	0	5,016,504	0	0	0	0	7,994	0	94,873
900	<b>Total Expenses</b>	27,973	1,586,448	369,112	102,994	83,066	17,516,278	179,158	121,697	79,763	3,962	6,748,292	1,243,446	869,014
1001	Operating Transfers In	0	0	0	0	0	500,000	0	0	0	0	0	0	0
1002	Operating Transfers Out	0	0	0	0	0	0	0	0	0	0	0	-500,000	0
1010	(Uses)	0	0	0	0	0	500,000	0	0	0	0	0	-500,000	0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$3,699)	\$16,535	\$5,062	\$8,507	\$9,466	(\$6,456,658)	\$7,281	\$5,710	\$1,413	(\$3,962)	\$86,448	\$2,894,708	\$397,929
1102	Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	0	491,841	7,143	43,429	0	66,644,861	(429,773)	0	0	0	345,632	7,056,335	1,537,181
1104	Transfers and Correction of Errors	3,699	(2)	0	0	31,538	7,476,051	391,763	(77,473)	(314,338)	3,962	(177,867)	(6,457,005)	361
1113	Commitment (Per ACC)	0	661,850	0	0	108,432	0	234,447	136,860	94,892	0	11,933,823	0	0
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0	0	0	0	0	0	0	0	0	0	0
1115	Contingency Reserve, ACC Program Reserve	0	2,836,277	0	0	96,490	0	273,545	664,105	2,900,605	0	0	0	0
1116	Total Annual Contributions Available	0	3,498,127	0	0	204,922	0	507,992	800,965	2,995,497	0	11,933,823	0	0
1120	Unit Months Available	0	4,356	1,176	300	432	30,445	456	408	240	0	18,024	0	672
1121	Number of Unit Months Leased	0	4,316	1,103	211	427	29,556	406	387	236	0	18,024	0	409

**STARK METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF CAPITAL GRANTS - COMPLETED  
FOR THE TWELVE MONTHS ENDED MARCH 31,2006**

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Annual Capital Fund Program OH12PO1850

1. The total amount of modernization costs of the comprehensive grant is shown below:

	Capital Grant <u>OH12PO1850102</u>	Capital Grant <u>OH12PO1850103</u>	Capital Grant <u>OH12PO1850203</u>
Funds Approved	\$ 4,961,324	\$ 4,082,115	\$ 813,552
Funds Expended	<u>4,961,324</u>	<u>4,082,115</u>	<u>813,552</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Funds Advanced	\$ 4,961,324	\$ 4,082,115	\$ 813,552
Funds Expended	<u>4,961,324</u>	<u>4,082,115</u>	<u>813,552</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

2. All capital fund work in connection with the above grants have been completed.
3. The entire actual capital costs and liabilities incurred by the housing authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**STARK METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2006**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Funds Expended</b>
<u>Direct Programs</u>		
<i><u>U.S. Department of Housing and Urban Development</u></i>		
<u>PHA Owned Housing</u>		
Housing Counseling Assistance Program	14.169	\$ 24,274
Public and Indian Housing Operating Subsidy	14.850	5,923,796
Capital Fund Program	14.872	4,638,154
Shelter Care Plus	14.238	<u>373,012</u>
Total for PHA Owned Housing		<u>10,959,236</u>
<u>Section 8 Tenant Based Clusters</u>		
Housing Assistance Payments:		
Housing Choice- Vouchers	14.871	<u>6,791,728</u>
Total for Section 8 Tenant Based Clusters		<u>6,791,728</u>
<u>Section 8 Project Based Programs</u>		
Project Based - Mod Rehabilitation	14.856	391,194
- Single Room Occupancy	14.249	91,965
- New Construction	14.182	<u>1,597,795</u>
Subtotal Section 8 Project Based Programs		<u>2,080,954</u>
Home Investment Partnership Program (Passed through Stark County)	14.239	<u>111,501</u>
<i><b>Total U.S. Department of Housing and Urban Development</b></i>		<u>19,943,419</u>
<b>TOTAL ALL PROGRAMS</b>		<u>\$ 19,943,419</u>

**JAMES G. ZUPKA, C.P.A., INC.**  
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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  
Stark Metropolitan Housing Authority  
Canton, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the basic financial statements of the Stark Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2006, and have issued our report thereon dated October 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Stark Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

However, we noted certain matters that we have reported to the management of the Stark Metropolitan Housing Authority, Ohio, in a separate letter dated October 25, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and Federal Awarding Agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

October 25, 2006

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
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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  
Stark Metropolitan Housing Authority  
Canton, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

We have audited the compliance of the Stark Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended March 31, 2006. Stark Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results 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 the Stark Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, Stark 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, 2006.

### **Internal Control Over Compliance**

The management of the Stark 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 our audit, we considered Stark 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our 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 reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, Auditor of State, and Federal Awarding Agencies and pass-through entities and is not intended to be used by anyone other than these specified parties.

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

October 25, 2006

**STARK METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
MARCH 31, 2006**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2006(i)	Type of Financial Statement Opinion	Unqualified
2006(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2006(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2006(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2006(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2006(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2006(v)	Type of Major Programs' Compliance Opinion	Unqualified
2006(vi)	Are there any reportable findings under .510?	No
2006(vii)	Major Programs (list):  Housing Choice Voucher - CFDA # 14.871	
2006(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$598,303 Type B: > all others
2006(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**Auditor of State  
Betty Montgomery**

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**STARK METROPOLITAN HOUSING AUTHORITY**

**STARK 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  
JANUARY 16, 2007**