YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

Mary Taylor, CPA
Auditor of State

Board of Directors
Youngstown Metropolitan Housing Authority
131 West Boardman Street
Youngstown, Ohio 44503-1399

We have reviewed the *Independent Auditor's Report* of the Youngstown Metropolitan Housing Authority, Mahoning County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2005 through June 30, 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 Youngstown Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 27, 2007

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YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2006

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Youngstown Metropolitan Housing Authority
Youngstown, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities of the Youngstown Metropolitan Housing Authority, as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Youngstown Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Youngstown Metropolitan Housing Authority, as of June 30, 2006, and the changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 (c), the Lowellville Apartments, which have been previously reported as a discretely presented component unit is now contained with the reporting entity as it does not meet the criteria of a component unit based on GASB Statement No. 14 Guidelines.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 19, 2007 on our consideration of Youngstown Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, 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 of the Authority taken a whole. The supplementary Financial Data Schedule is presented for purposes of additional analysis and are not a required part of the financial statements of the Youngstown Metropolitan Housing Authority. 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. 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

January 19, 2007

As management of the Youngstown Metropolitan Housing Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by $51,949,985 (net assets), a decrease of 0.1 percent.

- The Authority's cash balance at June 30, 2006 was $5,067,979, representing an increase of $1,997,747, or 65.0 percent from June 30, 2005.

- The Authority had total revenue of $25,397,943 and total expenses of $25,156,249 for the year ended June 30, 2006, increasing net assets by $241,694 for the year.

- The Authority's capital outlays for the year were $2,796,506.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. These statements comprise three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

REQUIRED FINANCIAL STATEMENTS

MD&A
Management Discussion and Analysis

Basic Financial Statements
Statement of Net Assets
Statement of Revenues, Expenses, and Changes in Net Assets
Statement of Cash Flows
Notes to the Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows to future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The *combined statement of cash flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The Authority has many programs that are consolidated into a single enterprise fund. The major programs consist of the following:

<u>Low-Income Public Housing</u> - 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 Contribution Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). HUD provides Operating Subsidy which enables the Authority to lease housing units to eligible families for an amount based on 30 percent of the of the family's adjusted gross household income.

<u>Capital Fund Program (CFP)</u> - CFP is the current primary funding source for the Authority's physical and management improvements. Formerly such improvements were funded through HUD's Capital Grant Program (CGP). Although the formula funding methodology used for the CGP was revised for the CFP, the funds are still provided by formula allocation and based on size and age of the Authority's units.

<u>Housing Choice Voucher Program (Section 8)</u> - HUD provides the Authority with vouchers to assist eligible families rent privately owned homes. A portion of the participant's rent is paid by Youngstown Metropolitan Housing Authority to the landlord. The participant is responsible for paying the remaining portion. Applicants are chosen via a lottery.

The Authority's financial statements report on the functions of the Authority principally supported by intergovernmental revenues. The Authority's primary function is to use such grant revenue to provide decent, safe, and sanitary housing to low income and special needs populations.

The financial statements can be found on pages 9 through 11 of this report.

<u>Fund Financial Statements</u>

A fund is a grouping of related accounts that is used to maintain control over resources which are segregated for specific activities or objectives. Similar to other state and local governments, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only one fund type used by the Authority is a proprietary fund.

Notes to the Financial Statements

Notes provide additional information essential to a full understanding of the data provided in the financial statements. Notes to the financial statements can be found on pages 12 through 25 of this report.

SUPPLEMENTARY INFORMATION

Financial Analysis of the Authority

The following table represents a condensed Statement of Net Assets compared to the prior year.

Table 1 - Statement of Net Assets

	2006 (thousands)	2005 (thousands)
Assets		
Current and Other Assets	$ 5,780	$ 3,949
Capital Assets, Net	50,932	53,186
Total Assets	$ 56,712	$ 57,135
Liabilities and Net Assets		
Current Liabilities	$ 1,453	$ 1,533
NonCurrent Liabilities	3,309	3,894
Total Liabilities	4,762	5,427
Net Assets		
Invested in Capital Assets, Net of Related Debt	47,499	49,302
Restricted Net Assets	2,639	868
Unrestricted Net Assets	1,812	1,538
Total Net Assets	51,950	51,708
Total Liabilities and Net Assets	$ 56,712	$ 57,135

During 2006, total assets decreased by $423,000 due to a decrease in the Capital Assets, this is due to the fact that because of decreased Capital funding received the Authority's assets depreciated more than asset additions. On the liability side non-current liabilities decreased by $589,000 due to the payment of long-term debt. The increase in net assets is due to the operating income for the year.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by $51,949,985 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (91 percent) reflects its investments in capital assets (e.g., buildings, machinery, and equipment). The Authority uses these capital assets to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

Statement of Revenues, Expenses, and Changes in Net Assets

The following table reflects the condensed Statement of Revenues, Expenses, and Changes in Net Assets.

Table 2 - Statement of Revenues, Expenses, and Changes in Net Assets

	2006 (thousands)	2005 (thousands)
Revenues		
Intergovernmental Revenue	$ 22,780	$ 20,699
Program Revenue	2,309	2,165
Other Revenue	309	436
Total Revenues	25,398	23,300
Expenses		
Operating Expenses	11,259	10,964
Depreciation Expense	4,988	4,699
Housing Assistance Payments	8,885	9,766
Other Expenses	24	8
Total Expenses	25,156	25,437
Net Increase (Decrease)	$ 242	$ (2,137)

Intergovernmental revenue increased $2,081,000 over the prior year due to an increase in Operating subsidy of $778,000 and a $1,306,000 increase in Capital Grants as the Authority starts the construction phase of the Hope VI project. On the expenditure side, operating expenditures total expenditures only decreased by $281,000 over last year.

The net assets of the Authority increased by $241,694 during the current fiscal year. The Authority receives its primary source of income from governmental revenues through HUD's Line-of-Credit Control System (eLOCCS). Allowable program expenses, with the exception of non-cash transactions (such as depreciation expense and changes in compensated absences) are drawn down from funds granted to the Authority. Governmental revenues, rental income, and charges for services were sufficient to cover all expenses incurred during fiscal year 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, the Authority's investment in capital assets for its business-type activities was $50,931,679 (net of accumulated depreciation) as reflected in the following schedule.

Table 3 - Capital Assets

	2006	2005
Land	$ 3,413,258	$ 3,314,158
Buildings	126,864,047	124,171,738
Equipment - Administrative	1,105,261	1,130,200
Equipment - Dwellings	251,867	260,012
Accumulated Depreciation	(80,702,754)	(75,752,851)
Total	$50,931,679	$53,123,257

Capital Assets and Debt Administration

Major capital asset transactions during the current fiscal year include the following:

- Architect fees, site improvements at Westlake for the Hope VI project in the amount of $1,745,076.
- Elevator upgrade at Norton Manor in the amount of $126,127.
- Entranceway, concrete work, landscaping, signage and other site improvements at Vasu Manor and Gutknecht Towers in the amount of $217,976.

Additional information on the Authority's capital assets can be found in Note 4 on pages 18 and 19 of this report.

LONG-TERM DEBT

As of June 30, 2006, the Authority had $3,432,372 of long-term debt, a decrease of $450,850, or 11.7 percent over the prior year. The funds will be paid back over 12 years at an interest rate of 5.16 percent. At year end, the amount payable was $2,449,699. Other long-term debt consists of a ten-year note payable with an outstanding balance of $768,906, bearing interest at 4.85 percent. The proceeds of the note were used to increase energy efficiency of other Authority's buildings through a previous Energy Performance Contract with Honeywell. Additionally, there is $213,767 remaining on a 30-year mortgage of the Authority's Lowellville property. The mortgage bears interest at 7.48 percent.

Additional information on the Authority's long-term debt can be found in Note 7 on pages 21 and 22 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the 2007 fiscal year:

- The most significant change to the Authority's budget for the 2007 fiscal year will result from HUD changing its fund procedures. Effective January 1, 2006, HUD will provide funding on a calendar year basis instead of its current fiscal year basis. This change will create a challenge, because budgeting for operating subsidy for the last 6 months of fiscal year 2006 will be unknown. Secondly, HUD will implement the Quality Housing and Work Responsibility Act (QHWRA) requirement of project-based management and operations. This change will eventually replace the current entity-wide reporting with project-based reporting requiring income, expenses, and reporting on a project by project basis. HUD has provided initial guidance, although some details are still being worked out. The Authority expects significant change to its operations as well as how it will record financial transactions.

- HUD is currently projecting to fund only 83 percent of the current operating subsidy for the first 6 months of the year. While the Authority's operating subsidy is projected to increase 17 percent over last year there is still a funding shortfall of $1,400,000 that will be unfunded due to proration.

- The Authority's operating expenditures do not show any significant increases other than expected inflationary increases.

Future Events that will Financially Impact the Authority

Approximately 90 percent of the Authority's revenues come from governmental grants. Going forward, the Authority will need to develop alternative sources of income to avoid the risks inherent in being dependent on one primary source of revenue. HUD has encouraged public housing authorities to become more entrepreneurial in their operations to protect against decreased funding and/or other unforeseen circumstances. Without taking such actions, the Authority could face uncertainty in the future.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Youngstown Metropolitan Housing Authority, 131 West Boardman Street, Youngstown, Ohio 44503, or call (330) 744-2161.

Respectfully submitted,

Eugenia Atkinson
Executive Director

YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
JUNE 30, 2006

	2006
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 4,500,669
Restricted Cash and Cash Equivalents	567,310
Receivables, Net	503,750
Prepaid Expenses and Other Assets	208,130
Total Current Assets	5,779,859
Noncurrent Assets	
Capital Assets:	
Nondepreciable Capital Assets	3,413,258
Depreciable Capital Assets, Net	47,518,421
Total Noncurrent Assets	50,931,679
TOTAL ASSETS	$ 56,711,538
LIABILITIES	
Current Liabilities	
Accounts Payable	$ 147,770
Accrued Liabilities	371,481
Accrued Compensated Absences	189,949
Tenant Security Deposits	139,365
Deferred Revenue	1,746
Bonds, Notes, and Claims Payable	492,644
Other Current Liabilities	100,000
Total Current Liabilities	1,442,955
Noncurrent Liabilities	
Bonds, Notes, and Claims Payable	2,939,728
Other NonCurrent Liabilities	168,315
Accrued Compensated Absences	210,555
Total Noncurrent Liabilities	3,318,598
Total Liabilities	4,761,553
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	47,499,307
Restricted Net Assets	2,638,403
Unrestricted Net Assets	1,812,275
Total Net Assets	51,949,985
TOTAL LIABILITIES AND NET ASSETS	$ 56,711,538

See accompanying notes to the basic financial statements

YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	2006
Operating Revenues	
Tenant Revenue	$ 2,308,575
Government Operating Grants	20,106,700
Other Revenue	130,927
Total Operating Revenues	22,546,202
Operating Expenses	
Administrative	5,045,207
Tenant Services	245,326
Utilities	2,658,062
Maintenance	2,653,606
General	474,273
Housing Assistance Payment	8,884,621
Other Operating Expenses	24,274
Depreciation	4,988,084
Total Operating Expenses	24,973,453
Operating Income (Loss)	(2,427,251)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	178,652
Interest Expense	(182,796)
Total Non-Operating Revenues (Expenses)	(4,144)
Income (Loss) Before Contributions and other Revenue	(2,431,395)
Capital Grants	2,673,089
Change in Net Assets	241,694
Total Net Assets, Beginning of Year	51,894,661
Prior Period Adjustments	(186,370)
Total Net Assets, Beginning of Year, Restated	51,708,291
Net Assets, End of Year	$51,949,985

See accompanying notes to the basic financial statements.

YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2006

	2006
Cash Flows from Operating Activities	
Cash Received from HUD/Other Governments	$ 20,248,257
Cash Received From Tenants	2,291,508
Cash Received Other Sources	258,458
Cash Payments for Housing Assistance Payments	(8,884,621)
Cash Payments for Administrative	(5,027,711)
Cash Payments for Other Operating Expenses	(6,231,162)
Cash Paid to HUD and Other Governments	(78,571)
Net Cash (Used) by Operating Activities	2,576,158
Cash Flows from Capital and Related Financing Activities	
Principal Payments on Debt	(450,850)
Acquisition of Capital Assets - Net	(2,796,506)
Capital Grants Received	2,673,089
Net Cash Provided by Capital and Other Related Financing Activities	(574,267)
Cash Flows from Investing Activities	
Investment Income	178,652
Interest Expense	(182,796)
Net Cash Provided by Investing Activities	(4,144)
Net Increase (Decrease) in Cash and Cash Equivalents	1,997,747
Cash and Cash Equivalents, Beginning	3,070,232
Cash and Cash Equivalents, Ending	$ 5,067,979
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Net Operating Income (Loss)	$ (2,427,251)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	4,988,084
(Increase) Decrease in:	
Accounts Receivables	252,021
Prepaid Expenses and Other Assets	(90,430)
Increase (Decrease) in:	
Accounts Payable	(184,858)
Other Current Liabilities	78,942
Accrued Wages/Payroll Taxes	17,496
Tenant Security Deposits	(4,302)
Deferred Revenue/Other Liabilities	(53,544)
Net Cash Used by Operating Activities	$ 2,576,158

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity and Programs

The Youngstown Metropolitan Housing Authority (the 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 Moderate Rehab, Substantial Rehab, New Construction and Housing Choice Voucher programs provided by HUD. These programs help assist families in the payment of rent. Under the Housing Choice 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, Substantial Rehab and New Construction programs, 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 Youngstown 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

The accompanying general purpose financial statements comply with the provision of GASB No. 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

C. **Reporting Entity** (Continued)

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

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

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

Based on the criteria established by GASB Codification 2100, there are no component units to be included with the reporting entity. The Lowellville Apartments, which have been previously reported as a component unit, is now contained within the reporting entity because it does not meet the definition of a component unit based on GASB Statement No. 14.

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

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

D. **Fund Accounting**

The Authority uses the proprietary fund 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:

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 follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

G. **Interprogram Balances**

Receivables and payables resulting from short-term interprogram loans are classified as "Inter-program Due from/to" in respective program financial statements. These amounts are eliminated in the Authority's statement of net assets in the basic financial statements.

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

H. **Investments**

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. The Authority has only cash deposits, and no investments at June 30, 2006. Interest income earned in fiscal year 2006 totaled $178,652.

I. **Capital Assets**

Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The Authority capitalizes all assets with a cost of $1,000 or more. See Note 4 for useful lives for depreciation purposes.

J. **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.

K. **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.

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

K. **Compensated Absences** (Continued)

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability. Information regarding compensated absences is detailed in Note 9.

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.

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**

Deposits

At fiscal year end, the carrying amount of the Authority's deposits were $5,067,979 and the bank balance was $5,323,995. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2006, $200,000 of the Authority's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority. Included in the carrying value of the Authority's deposits is $500 in petty cash.

Custodial credit risk is the risk that, in the event of 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 Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the

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

Deposits (Continued)
Federal Reserve System, in the name of the respective depository bank, and pledged as a pool of collateral against the public deposits it holds, or as specific collateral held at the Federal Reserve bank in the name of the Authority.

Investments
The Authority has a formal investment policy; however, the Authority had no investments at June 30, 2006.

Interest Rate Risk
The Authority's investment policy limits investments to 5 years but does not limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The Authority staggers maturity dates of investments to avoid losses from rising interest rates.

Credit Risk
Any deposits of the Authority exceeding the $100,000 FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority.

Concentration of Credit Risk
The Authority does not limit the amount of funds that may be on deposit with any one financial institution; however, as was mentioned in the preceding, all deposits exceeding the $100,000 FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority.

Cash and cash equivalents included in the Authority's cash position at June 30, 2006, are as follows:

		Investment Maturities		
	Fair Value	< 1 Year	1-3 Years	3-5 Years
Carrying Amount of Deposits	$ 4,500,669	$ 4,500,669	$ 0	$ 0
Carrying Amount of Deposits - Restricted	567,310	567,310	0	0
Totals	$ 5,067,979	$ 5,067,979	$ 0	$ 0

NOTE 3: INSURANCE COVERAGE

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the Ohio Housing Authority Property Casualty, Inc. (OHAPCI). OHAPCI is an insurance risk pool comprised of four Ohio housing authorities, of which The Authority is one. Deductibles and coverage limits are summarized below:

	Deductible	Coverage Limits
Property	$ 2,500	$ 129,353,000 (per occurrence)
General Liability	0	5,000,000
Automobile Physical Damage/Liability	500/500	ACV/5,000,000
Public Officials	5,000	5,000,000

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Authority provides employee group health care benefits via a partially self-funded plan administered by Enterprise Group Planning, Inc. Excess loss coverage for the plan is provided by QBE Insurance Corporation. Settled claims have not exceeded the Authority's insurance in any of the past three years.

NOTE 4: CAPITAL ASSETS

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

	2006
Capital Assets Not Depreciated	
Land	$3,413,258
Construction in Progress	0
Total Capital Assets Not Depreciated	3,413,258
Capital Assets Being Depreciated	
Buildings and Building Improvements	126,864,047
Furniture and Equipment	1,357,128
Total Capital Assets Being Depreciated	128,221,175
Less: Accumulated Depreciation	(80,702,754)
Subtotal Capital Assets Being Depreciated	47,518,421
Total Capital Assets	$50,931,679

The Authority capitalizes all assets with a cost of $1,000 or more. The following is a list of useful lives for depreciation purposes:

Buildings	15 to 40 years
Equipment	7 years
Computer Equipment	3 years
Vehicles	5 years
Maintenance Equipment	7 years

NOTE 4: **CAPITAL ASSETS** (Continued)

The Authority uses the straight line method of depreciation.

The following is a summary of changes in capital assets:

	Balance July 1, 2005	Restatement Adjustment	Restated Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital Assets Not Depreciated						
Land	$ 3,314,158	$ 0	$ 3,314,158	$ 99,100	$ 0	$ 3,413,258
Construction in Progress	704,994	(704,994)	0	0	0	0
Total Capital Assets Not Depreciated	4,019,152	(704,994)	3,314,158	99,100	0	3,413,258
Capital Assets Being Depreciation						
Buildings and Building Improvements	124,171,738	0	124,171,738	2,692,309	0	126,864,047
Furniture & Equipment	1,390,212	0	1,390,212	5,097	(38,181)	1,357,128
Total Capital Assets Being Depreciated	125,561,950	0	125,561,950	2,697,406	(38,181)	128,221,175
Accumulated Depreciation	(76,212,283)	459,432	(75,752,851)	(4,988,084)	38,181	(80,702,754)
Subtotal	49,349,667	459,432	49,809,099	(2,290,678)	0	47,518,421
Net Capital Assets	$53,368,819	$ (245,562)	$ 53,123,257	$(2,191,578)	$ 0	$50,931,679

NOTE 5: **DEFINED BENEFIT PENSION PLAN**

Employees and Plan

Employees of the Authority belong to the Ohio Public Employees Retirement System ("OPERS"), a state-wide and state administered defined benefit, cost sharing multi-governmental employer pension plan, as required by the Ohio Revised Code.

OPERS

OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information.

Interested parties may obtain a copy by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS(7377).

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

OPERS (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The employer contribution rate for local government employer units was 13.55 percent of covered payroll; 4.0 percent was the portion used to fund health care in 2005 and 5 percent in 2004 and 2003.

The Authority's total contributions to OPERS for pension benefits (excluding the amount relating to other postretirement benefits) for years ended June 30, 2006, 2005, and 2004 were $347,373, $342,670, and $298,394, respectively, equal to the required contributions for each year.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and postretirement health care through their contributions to OPERS. The portion of employer contributions rate used to fund health care for 2006 and 2005 was 4.0 percent, for 2004, 5.0 percent of covered payroll.

The Authority's contributions for other postemployment benefits to OPERS for the fiscal year ended 2006, 2005, and 2004 were $144,363, $143,526, and $174,499, respectively.

OPEBs are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)
The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the OPERS's latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 369,885. The actuarial value of the OPERS net assets available for OPEB at December 31, 2003 was $10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $26.9 billion and $16.4 billion, respectively.

NOTE 7: **LONG-TERM DEBT**

A summary of the Authority's debt is as follows:

	Balance at 6/30/2005	Additions	Deletions	Balance at 6/30/2006	Due Within One Year
Long-Term Debt					
Primary Government					
Citicorp Note, 10/30/99, 4.85%, $2,052,658	$ 968,226	$ 0	$ (199,197)	$ 769,029	$ 223,890
Old National Leasing Note, 12/01/04, 5.16%, $2,722,385	2,622,759	0	(173,183)	2,449,576	182,338
First National Bank, 11/21/78, 7.48%, $1,191,617	292,237	0	(78,470)	213,767	86,416
Total Long-Term Debt Obligation	$ 3,883,222	$ 0	$ (450,850)	$ 3,432,372	$ 492,644

NOTE 7: **LONG-TERM DEBT** (Continued)

Long-term debt for Low-Rent Public Housing includes a 10-year 1999 note payable to Citicorp. The proceeds of $2,052,658 were used to improve the energy efficiency of the Authority's buildings. This note is secured by the equipment purchased and bears interest at 4.85 percent. The note and settlement agreement matures as follows:

	Principal	Interest	Total
2006-2007	$ 223,890	$ 33,261	$ 257,151
2007-2008	234,948	22,203	257,151
2008-2009	246,551	10,600	257,151
2009-2010	63,640	771	64,411
	$ 769,029	$ 66,835	$ 835,864

Long-term debt for the Low Rent Public Housing program also includes a 12-year 2005 note payable to Old National Leasing. The proceeds of $2,722,385 were used to improve the energy efficiency of the Authority's properties. The note is secured by the equipment purchased and bears a rate of 5.15 percent. The note and settlement agreement matures as follows:

	Principal	Interest	Total
2006-2007	$ 182,338	$ 122,182	$ 304,520
2007-2008	191,977	112,543	304,520
2008-2009	202,126	102,395	304,521
2009-2010	212,811	91,710	304,521
2010-2011	224,061	80,460	304,521
2011-2016	1,311,000	211,603	1,522,603
2016-Thereafter	125,263	1,621	126,884
	$ 2,449,576	$ 722,514	$ 3,172,090

Long-term debt for the Section 8 New Construction (Lowellville) consists of a 30 year mortgage entered into in 1978 for $1,191,617 which bears interest at 7.48 percent and is secured by the building. The mortgage matures as follows:

	Principal	Interest	Total
2006-2007	$ 86,416	$ 13,532	$ 99,948
2007-2008	93,310	6,638	99,948
2008-2009	34,041	575	34,616
	$ 213,767	$ 20,745	$ 234,512

NOTE 8: COMPENSATED ABSENCES

Full time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation days exceeding those earned in the current year may not be carried over into the next calendar year. Generally, upon termination after one year of service, employees are entitled to be paid all accrued vacation.

The following schedule details earned annual leave based on length of service:

Management	
1-5 years	2 weeks
6-10 years	3 weeks
11-15 years	4 weeks
16-20 years	5 weeks
21 years and over	6 weeks

Maintenance and Administration	
1-5 years	2 weeks
6-10 years	3 weeks
11-15 years	4 weeks
16-20 years	5 weeks
21 years and over	6 weeks

Sick leave accrued to full time, permanent employees to specified maximums. Sick leave may be cumulative without limit. However, management employees with 7 years or more of service, upon termination of employment, may receive 100 percent of their accumulated sick leave, up to a maximum of 120 days. Maintenance and administrative employees with 7 or more years of service, upon termination of employment, may receive 50 percent of their accumulated sick leave, up to a maximum of 60 days.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service requirement is accrued to the extent that it is considered to be probably that the conditions for compensation will be met in the future.

The estimated liability for compensated absences is detailed as follows:

	Current Accrued Compensated Absences	Long-Term Accrued Compensated Absences	Total Accrued Compensated Absences
Public Housing	$ 153,017	$ 169,617	$ 322,634
Section 8 - Rental Voucher	33,322	36,937	70,259
Section 8 - New Construction	3,610	4,001	7,611
	$ 189,949	$ 210,555	$ 400,504

NOTE 9: INTERPROGRAM RECEIVABLES AND PAYABLES

The following balances at June 30, 2006 represent individual fund interprogram receivables and payables:

Fund	Interfund Receivables	Interfund Payables
Public Housing	$ 145,158	$ 136,850
Resident Opportunity	4,512	0
Local Grants	9,232	48,654
Section 8 N/C S/R	0	10,985
Hope VI	0	25,053
Business Activities	123,106	0
Section 8 Voucher	0	76,845
Section 8 Moderate Rehab	38,237	0
Capital Fund	0	21,858
Total	$ 320,245	$ 320,245

These interprogram receivables and payables have been eliminated in the statement of net assets.

NOTE 10: RESTATEMENT OF PRIOR YEAR'S FUND EQUITY

Beginning net assets for the Authority (primary government) were adjusted for the following:

Prior Year Ending Net Assets	$ 51,894,661
HUD adjustments 58 Programs	(3,553)
Capital Fund Equity Adjustment	62,251
Other Adjustments	494
Capital Asset Adjustments	(245,562)
Adjusted Net Assets at July 1, 2005	$ 51,708,291

NOTE 11: CONTINGENCIES

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenses disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

NOTE 12: CONSTRUCTION COMMITMENTS

The Authority had the following material capital or construction commitment at June 30, 2006:

	Contract Amount	Balance Outstanding June 30, 2006
Development of Homeownership Properties	$ 5,039,999	$ 3,765,641
Major Building and Site Improvements at various sites	$ 556,657	$ 338,682

YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Opportunities for Youth-Youthbuild Program	Low Rent Public Housing	Development	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH002MR0001	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
CURRENT ASSETS														
111	Cash - Unrestricted	$0	$1,220,706	$0	$497,414	$0	$0	$0	$0	$2,782,549	$0	$0	$0	$4,500,669
115	Cash - Restricted for Payment of Current Liabilities	$0	$0	$0	$184,301	$0	$0	$0	$0	$0	$0	$0	$0	$184,301
113	Cash - Other Restricted	$0	$214,427	$0	$15,830	$0	$0	$0	$0	$152,752	$0	$0	$0	$383,009
100	**Total Cash**	$0	$1,435,133	$0	$697,545	$0	$0	$0	$0	$2,935,301	$0	$0	$0	$5,067,979
122	Accounts Receivable - HUD Other Projects	$0	$0	$27,284	$0	$0	$56,501	$82,945	$745	$0	$37,662	$0	$0	$205,137
125	Accounts Receivable - Miscellaneous	$417	$0	$0	$157,101	$0	$0	$0	$0	$0	$0	$48,654	$0	$206,172
126	Accounts Receivable - Tenants - Dwelling Rents	$0	$66	$0	$151,578	$0	$0	$0	$0	$0	$0	$0	$0	$151,644
126.1	Allowance for Doubtful Accounts - Dwelling Rents	$0	$0	$0	($61,976)	$0	$0	$0	$0	$0	$0	$0	$0	($61,976)
126.2	Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
128	Fraud Recovery	$0	$0	$0	$0	$0	$0	$0	$0	$2,773	$0	$0	$0	$2,773
128.1	Allowance for Doubtful Accounts - Fraud	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
120	Total Receivables, net of allowances for doubtful accounts	$417	$66	$27,284	$246,703	$0	$56,501	$82,945	$745	$2,773	$37,662	$48,654	$0	$503,750
142	Prepaid Expenses and Other Assets	$0	$0	$0	$108,130	$0	$0	$0	$0	$0	$0	$0	$0	$108,130
143	Inventories	$0	$0	$0	$100,000	$0	$0	$0	$0	$0	$0	$0	$0	$100,000
143.1	Allowance for Obsolete Inventories	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
144	Interprogram Due From	$123,106	$0	$0	$145,158	$0	$38,237	$0	$4,512	$0	$0	$9,232	$0	$320,245
150	**Total Current Assets**	$123,523	$1,435,199	$27,284	$1,297,536	$0	$94,738	$82,945	$5,257	$2,938,074	$37,662	$57,886	$0	$6,100,104
NON-CURRENT ASSETS														
161	Land	$50	$88,000	$0	$2,813,591	$0	$0	$0	$0	$0	$511,617	$0	$0	$3,413,258
162	Buildings	$0	$1,308,096	$0	$120,285,191	$0	$0	$2,460,209	$0	$0	$2,761,897	$48,654	$0	$126,864,047
163	Furniture, Equipment & Machinery - Dwellings	$0	$0	$0	$226,517	$0	$0	$0	$0	$0	$25,350	$0	$0	$251,867
164	Furniture, Equipment & Machinery - Administration	$0	$21,364	$0	$828,720	$0	$0	$0	$0	$109,936	$142,210	$3,031	$0	$1,105,261
165	Leasehold Improvements	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
166	Accumulated Depreciation	$0	($866,432)	$0	($79,357,580)	$0	$0	($17,033)	$0	($57,267)	($402,638)	($1,804)	$0	($80,702,754)
160	Total Fixed Assets, Net of Accumulated Depreciation	$50	$551,028	$0	$44,796,439	$0	$0	$2,443,176	$0	$52,669	$3,038,436	$49,881	$0	$50,931,679
180	**Total Non-Current Assets**	$50	$551,028	$0	$44,796,439	$0	$0	$2,443,176	$0	$52,669	$3,038,436	$49,881	$0	$50,931,679
190	**TOTAL ASSETS**	$123,573	$1,986,227	$27,284	$46,093,975	$0	$94,738	$2,526,121	$5,257	$2,990,743	$3,076,098	$107,767	$0	$57,031,783

YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Opportunities for Youth-Youthbuild Program	Low Rent Public Housing	Development	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH002MR0001	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units
CURRENT LIABILITIES													
312	Accounts Payable <= 90 Days	$197	$66	$27,284	$43,856	$0	$0	$57,892	$745	$368	$15,804	$1,558	$0
321	Accrued Wage/Payroll Taxes Payable	$0	$1,943	$0	$318,965	$0	$0	$0	$0	$32,784	$0	$0	$0
322	Accrued Compensated Absences - Current Portion	$0	$3,610	$0	$153,017	$0	$0	$0	$0	$33,322	$0	$0	$0
325	Accrued Interest Payable	$0	$0	$0	$6,215	$0	$0	$0	$0	$0	$0	$0	$0
331	Accounts Payable - HUD PHA Programs	$0	$7,062	$0	$0	$0	$0	$0	$4,512	$0	$0	$0	$0
341	Tenant Security Deposits	$0	$8,579	$0	$130,786	$0	$0	$0	$0	$0	$0	$0	$0
342	Deferred Revenues	$0	$0	$0	$1,746	$0	$0	$0	$0	$0	$0	$0	$0
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$0	$86,416	$0	$406,228	$0	$0	$0	$0	$0	$0	$0	$0
345	Other Current Liabilities	$0	$0	$0	$0	$0	$0	$0	$0	$100,000	$0	$0	$0
347	Interprogram Due To	$0	$10,985	$0	$136,850	$0	$0	$25,053	$0	$76,845	$21,858	$48,654	$0
310	**Total Current Liabilities**	$197	$118,661	$27,284	$1,197,663	$0	$0	$82,945	$5,257	$243,319	$37,662	$50,212	$0
NON-CURRENT LIABILITIES													
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	$0	$127,351	$0	$2,812,377	$0	$0	$0	$0	$0	$0	$0	$0
354	Accrued Compensated Absences - Non Current	$0	$4,001	$0	$169,617	$0	$0	$0	$0	$36,937	$0	$0	$0
353	Noncurrent Liabilities - Other	$0	$0	$0	$15,563	$0	$0	$0	$0	$152,752	$0	$0	$0
350	Total Noncurrent Liabilities	$0	$131,352	$0	$2,997,557	$0	$0	$0	$0	$189,689	$0	$0	$0
300	**TOTAL LIABILITIES**	$197	$250,013	$27,284	$4,195,220	$0	$0	$82,945	$5,257	$433,008	$37,662	$50,212	$0
EQUITY/NET ASSETS													
508	Total Contributed Capital	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
508.1	Invested in Capital Assets, Net of Related Debt	$50	$337,261	$0	$41,577,834	$0	$0	$2,443,176	$0	$52,669	$3,038,436	$49,881	$0
511	Total Reserved Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
511.1	Restricted Net Assets	$0	$0	$0	$184,301	$0	$0	$0	$0	$2,454,102	$0	$0	$0
512.1	Unrestricted Net Assets	$123,326	$1,398,953	$0	$136,620	$0	$94,738	$0	$0	$50,964	$0	$7,674	$0
513	**Total Equity/Net Assets**	$123,376	$1,736,214	$0	$41,898,755	$0	$94,738	$2,443,176	$0	$2,557,735	$3,038,436	$57,555	$0
600	**TOTAL LIABILITIES AND EQUITY/NET ASSETS**	$123,573	$1,986,227	$27,284	$46,093,975	$0	$94,738	$2,526,121	$5,257	$2,990,743	$3,076,098	$107,767	$0

YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Opportunities for Youth-Youthbuild Program	Low Rent Public Housing	Development	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH002MR0001	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
REVENUE														
703	Net Tenant Rental Revenue	$0	$112,320	$0	$1,988,517	$0	$0	$0	$0	$0	$0	$0	$0	$2,100,837
704	Tenant Revenue - Other	$0	$0	$0	$207,738	$0	$0	$0	$0	$0	$0	$0	$0	$207,738
705	Total Tenant Revenue	$0	$112,320	$0	$2,196,255	$0	$0	$0	$0	$0	$0	$0	$0	$2,308,575
706	HUD PHA Operating Grants	$0	$133,001	$365,609	$5,771,367	$0	$171,707	$589,134	$101,416	$11,484,605	$1,208,208	$0	$0	$19,825,047
706.1	Capital Grants	$0	$0	$0	$0	$0	$0	$1,745,075	$0	$0	$928,014	$0	$0	$2,673,089
708	Other Government Grants	$0	$147,974	$0	$0	$0	$0	$0	$0	$0	$0	$133,679	$0	$281,653
711	Investment Income - Unrestricted	$0	$45,429	$0	$52,175	$0	$746	$0	$0	$72,946	$0	$0	$0	$171,296
714	Fraud Recovery	$0	$0	$0	$0	$0	$0	$0	$0	$1,640	$0	$0	$0	$1,640
715	Other Revenue	$37,995	$1,719	$0	$55,435	$0	$0	$0	$0	$0	$0	$34,138	$0	$129,287
720	Investment Income - Restricted	$0	$0	$0	$7,356	$0	$0	$0	$0	$0	$0	$0	$0	$7,356
700	**TOTAL REVENUE**	$37,995	$440,443	$365,609	$8,082,588	$0	$172,453	$2,334,209	$101,416	$11,559,191	$2,136,222	$167,817	$0	$25,397,943
OPERATING EXPENSES														
911	Administrative Salaries	$0	$31,110	$90,213	$1,283,016	$0	$5,409	$84,071	$45,954	$529,003	$149,344	$3,086	$0	$2,221,206
912	Auditing Fees	$0	$317	$0	$10,976	$0	$31	$0	$0	$3,012	$0	$0	$0	$14,336
914	Compensated Absences	$0	$672	$0	$7,513	$0	$94	$0	$0	$9,218	$0	$0	$0	$17,497
915	Employee Benefit Contributions - Administrative	$0	$17,596	$45,106	$742,810	$0	$3,074	$41,972	$22,943	$298,290	$73,557	$1,713	$0	$1,247,061
916	Other Operating - Administrative	$4,840	$6,526	$21,351	$362,684	$0	$1,045	$463,091	$0	$102,447	$581,565	$1,558	$0	$1,545,107
924	Tenant Services - Other	$0	$579	$208,939	$2,639	$0	$0	$0	$32,519	$650	$0	$0	$0	$245,326
931	Water	$0	$14,249	$0	$514,160	$0	$0	$0	$0	$0	$0	$0	$0	$528,409
932	Electricity	$0	$33,512	$0	$864,873	$0	$67	$0	$0	$6,541	$0	$1,777	$0	$906,770
933	Gas	$0	$5,390	$0	$1,212,648	$0	$0	$0	$0	$0	$0	$4,845	$0	$1,222,883
941	Ordinary Maintenance and Operations - Labor	$0	$34,479	$0	$1,205,606	$0	$0	$0	$0	$0	$0	$0	$0	$1,240,085
942	Ordinary Maintenance and Operations - Materials and Other	$53	$3,025	$0	$96,992	$0	$8	$0	$0	$802	$0	$16,174	$0	$117,054
943	Ordinary Maintenance and Operations - Contract Costs	$0	$13,382	$0	$474,466	$0	$19	$0	$0	$1,821	$0	$89,202	$0	$578,890
945	Employee Benefit Contributions - Ordinary Maintenance	$0	$19,482	$0	$698,095	$0	$0	$0	$0	$0	$0	$0	$0	$717,577
961	Insurance Premiums	$0	$1,720	$0	$278,695	$0	$297	$0	$0	$29,010	$0	$0	$0	$309,722
962	Other General Expenses	$0	$375	$0	$0	$0	$48	$0	$0	$4,674	$0	$0	$0	$5,097
963	Payments in Lieu of Taxes	$0	$0	$0	$2,609	$0	$0	$0	$0	$0	$0	$135	$0	$2,744
964	Bad Debt - Tenant Rents	$0	$0	$0	$140,295	$0	$0	$0	$0	$0	$0	$0	$0	$140,295
967	Interest Expense	$0	$18,963	$0	$163,833	$0	$0	$0	$0	$0	$0	$0	$0	$182,796
968	Severance Expense	$0	$0	$0	$16,415	$0	$0	$0	$0	$0	$0	$0	$0	$16,415
969	**TOTAL OPERATING EXPENSES**	$4,893	$201,377	$365,609	$8,078,325	$0	$10,092	$589,134	$101,416	$985,468	$804,466	$118,490	$0	$11,259,270
970	Excess Operating Revenue over Operating Expenses	$33,102	$239,066	$0	$4,263	$0	$162,361	$1,745,075	$0	$10,573,723	$1,331,756	$49,327	$0	$14,138,673

YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Opportunities for Youth-Youthbuild Program	Low Rent Public Housing	Development	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH002MR0001	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
EXPENSES														
972	Casualty Losses - Non-Capitalized	$0	$5,136	$0	$19,138	$0	$0	$0	$0	$0	$0	$0	$0	$24,274
973	Housing Assistance Payments	$0	$122,776	$0	$0	$0	$143,690	$0	$0	$8,618,155	$0	$0	$0	$8,884,621
974	Depreciation Expense	$0	$35,644	$0	$4,450,958	$0	$0	$8,515	$0	$5,716	$486,818	$433	$0	$4,988,084
900	**TOTAL EXPENSES**	$4,893	$364,933	$365,609	$12,548,421	$0	$153,782	$597,649	$101,416	$9,609,339	$1,291,284	$118,923	$0	$25,156,249
OTHER FINANCING SOURCES														
1001	Operating Transfers In	$0	$0	$0	$403,742	$0	$0	$0	$0	$0	$0	$0	$0	$403,742
1002	Operating Transfers Out	$0	$0	$0	$0	$0	$0	$0	$0	$0	($403,742)	$0	$0	($403,742)
1010	Total Other Financing Sources (Uses)	$0	$0	$0	$403,742	$0	$0	$0	$0	$0	($403,742)	$0	$0	$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	$33,102	$75,510	$0	($4,062,091)	$0	$18,671	$1,736,560	$0	$1,949,852	$441,196	$48,894	$0	$241,694
1102	Debt Principal Payments - Enterprise Funds	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1103	Beginning Equity	$95,751	($9,671)	$0	$41,144,954	$993,203	$79,411	$1,827,918	$0	$607,883	$4,770,973	$713,655	$1,670,584	$51,894,661
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	($5,477)	$1,670,375	$0	$4,815,892	($993,203)	($3,344)	($1,121,302)	$0	$0	($2,173,733)	($704,994)	($1,670,584)	($186,370)
1113	Maximum Annual Contributions Commitment (Per ACC)	$0	$0	$0	$0	$0	$196,849	$0	$0	$10,446,812	$0	$0	$0	$10,643,661
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	$1,084,228	$0	$0	$0	$114,013	$0	$0	$744,946	$0	$0	$0	$1,943,187
1116	Total Annual Contributions Available	$0	$1,084,228	$0	$0	$0	$310,862	$0	$0	$11,191,758	$0	$0	$0	$12,586,848
1120	Unit Months Available	0	1,028	0	16,752	0	720	0	0	25,356	0	0	0	43,856
1121	Number of Unit Months Leased	0	951	0	13,484	0	720	0	0	22,667	0	0	0	37,822

YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass Through Grantor/ Program Title		**Federal CFDA Number**	**Funds Expended**
U.S. Department of Housing and Urban Development			
Direct Programs			
PHA Owned Housing:			
Public and Indian Housing Operating Subsidy		14.850	$ 5,771,367
Development		14.850	0
Subtotal CFDA 14.850			5,771,367
Resident Opportunity and Support Services		14.870	101,416
Hope VI		14.866	2,334,209
Capital Fund		14.872	2,136,222
Opportunities For Youth		14.243	365,609
Total - Public Housing			10,708,823
Section 8 Programs:			
Housing Choice Voucher		14.871	11,484,605
Total Section 8 Housing Choice Voucher			11,484,605
Project Based Programs:			
Project Based	- Mod Rehabilitation	14.856	171,707
	- New Construction - Contract Admin.	14.182	133,001
	- PHH Owned	14.182	147,974
Total Section 8 Project Based Programs			452,682
Total Section 8 Housing Choice Voucher and Project Based Programs			11,937,287
Total U.S. Department of Housing and Urban Development			22,646,110
TOTAL ALL PROGRAMS			$ 22,646,110

This schedule is prepared on the accrual basis of accounting.

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

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the basic financial statements of the business-type activities of the Youngstown Metropolitan Housing Authority as of and for the year ended June 30, 2006, and have issued our report thereon dated January 19 , 2007. As discussed in Note 1 (c), the Lowellville Apartments, which have been previously reported as a discretely presented component unit is now contained with the reporting entity as it does not meet the criteria of a component unit based on GASB Statement No. 14 guidelines. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Youngstown Metropolitan Housing Authority'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Youngstown Metropolitan Housing Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as Item 2006-1.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe the reportable conditions described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Youngstown Metropolitan Housing Authority'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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, Auditor of State, and Federal awarding agencies and pass-through entities, 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

January 19, 2007

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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
Youngstown Metropolitan Housing Authority
Youngstown, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Youngstown Metropolitan Housing Authority 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 June 30, 2006. Youngstown Metropolitan Housing Authority'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 Youngstown Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Youngstown Metropolitan Housing Authority'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; and 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 Youngstown Metropolitan Housing Authority'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 Youngstown Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Youngstown Metropolitan Housing Authority 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 June 30, 2006.

Internal Control Over Compliance

The management of the Youngstown Metropolitan Housing Authority 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 Youngstown Metropolitan Housing Authority'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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 is not intended to be used by anyone other than these specified parties.

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

January 19, 2007

YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2006

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)?	Yes
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: > $679,383 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

Item 2006-1 - Materials Inventory

Condition

At June 30, 2006, management performed a hand count of inventory for the purpose of valuing materials inventory at June 30, 2006. That estimated balance of materials inventory was reported at June 30, 2006. However, management has yet to fully implement a materials inventory control process designed to record usage and ultimately to detect pilferage or usage of materials not charged to Authority jobs. This condition is therefore repeated at June 30, 2006.

Criteria

An inventory system should be in place to provide reasonable control over supplies in order to detect pilferage or usage not charged to jobs. Materials inventory listings that represent a complete listing of materials and supplies owned by the Authority should be available and should be accurately priced and summarized on the financial statements of the Authority. In addition, such assets should be physically on hand.

Recommendation

We recommend the Authority implement a materials inventory control process designed to reasonably detect pilferage or usage not charged to Authority jobs. This process would enable the Authority to completely list materials and supplies owned and that are physically on hand and would also enable the Authority to produce an accurately priced listing to summarize the value of inventory on the financial statements of the Authority.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006

The prior audit report, as of June 30, 2005, included one reportable condition. This condition was not fully resolved and is repeated in this audit report as Finding No. 2006-1.

Mary Taylor, CPA
Auditor of State

YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY

MAHONING 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
MAY 10, 2007

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