

STARK METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED MARCH 31, 2007



Mary Taylor, CPA
Auditor of State

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, 2006 through March 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stark Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 22, 2008

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

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

Certified Public Accountants

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Ohio Society of Certified Public Accountants

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 and for the year ended March 31, 2007, as listed in the 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, 2007, 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 the 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, 2007, 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 December 6, 2007, 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 on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Stark 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 basic financial statements of the Stark Metropolitan Housing Authority. The combining Financial Data Schedules (FDS) 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

December 6, 2007

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2007
(Unaudited)

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, 2007 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 \$1.15 million, or 2 percent, during 2007, primarily due to a loss in Results from Operations of \$3.17 million. Since the Authority engages only in business-type activities, the decrease is all in that category of business-type net assets. Net assets were \$74.21 million and \$73.06 million for 2006 and 2007, respectively.
- Total revenues decreased by \$0.27 million, or 1 percent, during 2007 and were \$26.43 million and \$26.17 million for 2006 and 2007, respectively.
- The total expenses of all Authority programs decreased by \$2.56 million, or 9 percent. Total expenses were \$29.60 million and \$27.03 million for 2006 and 2007, 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.

<p><u>MD & A</u> Management Discussion and Analysis - pages 3-9</p>

<p><u>Basic Financial Statements</u> Authority-Wide Financial Statements - pages 10-12 Notes to Financial Statements - pages 13-30</p>

<p>Other Required Supplementary Information Required Supplementary Information - pages 31-34 (other than MD&A)</p>

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2007
(Unaudited)

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 Revenues, Expenses, and Changes in Net Assets* (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income, and interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Net Assets 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, 2007
(Unaudited)

Fund Financial Statements

The Authority's financial statements consist 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, 2007
(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

	2007 (in Millions) of Dollars	2006 In Millions) of Dollars
<u>ASSETS</u>		
Current and Other Assets	\$ 8.61	\$ 6.11
Capital Assets	73.82	71.17
Notes/Mortgages	<u>1.11</u>	<u>2.32</u>
Total Assets	<u>83.54</u>	<u>79.60</u>
<u>LIABILITIES</u>		
Current Liabilities	3.34	2.58
Long-Term Liabilities	<u>7.14</u>	<u>2.81</u>
Total Liabilities	<u>10.48</u>	<u>5.39</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	67.40	69.46
Unrestricted	<u>5.66</u>	<u>4.75</u>
Total Net Assets	<u>73.06</u>	<u>74.21</u>
Totals	<u>\$ 83.54</u>	<u>\$ 79.60</u>

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

Major Factors Affecting The Statement of Net Assets

During 2007, current and other assets decreased by \$2.50 million, and current liabilities increased by \$0.75 million.

Capital assets also changed, increasing from \$71.17 million to \$73.82 million. The \$2.65 million increase may be attributed primarily to a combination of net acquisitions (\$7.28 million), less current year depreciation and amortization (\$4.64) million. For more detail see Table 5, "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, 2007
(Unaudited)

Table 2 - Change of Unrestricted Net Assets

	Millions of Dollars
Unrestricted Net Assets 03/31/06	\$ 4.75
Excess Expenses over Revenues	(.86)
Adjustments:	
Depreciation (1)	4.68
Capital Expenditures and Debt Interest Payments (2)	(2.91)
Unrestricted Net Assets 03/31/07	<u>\$ 5.66</u>

(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 Revenues, Expenses, and Changes in Net Assets

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

	2007 (Millions of Dollars)	2006 (Millions of Dollars)
<u>Revenues</u>		
Tenant Revenue - Rents and Other	\$ 5.17	\$ 4.70
Operating Subsidies and Grants	18.15	18.17
Capital Grants	2.16	2.89
Investment Income	0.25	.17
Other Revenues	0.44	.50
Total Revenues	<u>26.17</u>	<u>26.43</u>
<u>Expenses</u>		
Administrative	4.82	4.98
Tenant Services	0.13	.51
Utilities	3.40	3.59
Maintenance	4.46	4.66
Protective Services	0.08	.15
General/Other	1.19	2.16
Housing Assistance Payments	8.27	8.38
Depreciation	4.68	5.16
Total Expenses	<u>27.03</u>	<u>29.59</u>
Net Increase (Decrease)	<u>\$ (0.86)</u>	<u>\$ (3.16)</u>

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2007
(Unaudited)

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

Tenant revenue increased slightly during 2007 in comparison to 2006. Operating subsidies remained constant, while capital grants decreased.

Administrative expense decreased by \$.16 million and a utility expense decreased \$.19 million. Ordinary maintenance expense decreased \$.2 million, protective services decreased \$.07 million, general expenses decreased \$.97 million, and depreciation decreased \$.48 million. Reductions in health insurance premiums, rebates/refunds from property and liability insurance carriers, and staff reductions were significant factors in overall reduced operating expenses of the Authority from prior year. The Authority continues to reduce natural gas expenses through a special rate negotiation initiative.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$73.82 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions, and depreciation) of \$2.65 million or 4 percent from the end of last year.

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

	2007 (Millions of Dollars)	2006 (Millions of Dollars)
Land and Land Rights	\$ 13.05	\$ 12.97
Buildings	124.44	124.86
Equipment - Administrative and Dwelling	4.24	4.13
Accumulated Depreciation	(78.91)	(74.28)
Construction in Progress	11.00	3.49
Total	<u>\$ 73.82</u>	<u>\$ 71.17</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)

	2007	2006
Beginning Balance	\$ 71.17	\$ 72.05
Additions, Net of Retirements	7.33	4.28
Depreciation and Amortization	(4.68)	(5.16)
Ending Balance	<u>\$ 73.82</u>	<u>\$ 71.17</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, 2007
(Unaudited)

DEBT OUTSTANDING

As of year-end, the Authority had \$6.42 million in debt (bonds, notes, etc.) outstanding compared to \$1.71 million last year, a \$4.71 million increase.

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

	<u>Total 2007</u>	<u>Total 2006</u>
Primary Government	\$ 5.32	\$.65
Component Units	<u>1.10</u>	<u>1.06</u>
Total	<u><u>\$ 6.42</u></u>	<u><u>\$ 1.71</u></u>

Detailed information concerning the Authority's debt is contained in Note 9 to the financial statements.

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, 2007

	Primary Government	Component Units	Totals
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 3,807,395	\$ 295,021	\$ 4,102,416
Investments	1,118,667	66,019	1,184,686
Accounts Receivable - Net of Allowance	1,612,962	912,326	2,525,288
Inventories - Net of Allowance	347,667	0	347,667
Prepaid Expenses	<u>426,219</u>	<u>23,566</u>	<u>449,785</u>
Total Current Assets	<u>7,312,910</u>	<u>1,296,932</u>	<u>8,609,842</u>
Non-Current Assets:			
Capital Assets, Not Depreciated	23,884,908	171,399	24,056,307
Capital Assets - Net of Accumulated Depreciation	48,327,665	1,434,057	49,761,722
Non-Current Assets:			
Notes and Mortgages Receivable	<u>956,306</u>	<u>156,439</u>	<u>1,112,745</u>
Total Non-Current Assets	<u>73,168,879</u>	<u>1,761,895</u>	<u>74,930,774</u>
TOTAL ASSETS	<u>\$ 80,481,789</u>	<u>\$ 3,058,827</u>	<u>\$ 83,540,616</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Bank Overdraft	\$ 434,668	\$ 0	\$ 434,668
Accounts Payable	868,279	210,480	1,078,759
Current Portion of Long-Term Debt	744,024	126,427	870,451
Intergovernmental Payable	225,250	0	225,250
Accrued Wages and Payroll Taxes	130,283	0	130,283
Tenant Security Deposits	384,332	11,548	395,880
Deferred Credits and Other Liabilities	<u>198,123</u>	<u>2,303</u>	<u>200,426</u>
Total Current Liabilities	<u>2,984,959</u>	<u>350,758</u>	<u>3,335,717</u>
Non-Current Liabilities:			
Long-Term Debt Net of Current	4,573,420	974,897	5,548,317
Other Long-Term Liabilities:			
Compensated Absences	529,407	0	529,407
Other Non-Current Liabilities	<u>0</u>	<u>1,063,584</u>	<u>1,063,584</u>
Total Non-Current Liabilities	<u>5,102,827</u>	<u>2,038,481</u>	<u>7,141,308</u>
Total Liabilities	<u>8,087,786</u>	<u>2,389,239</u>	<u>10,477,025</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	66,895,129	504,132	67,399,261
Unrestricted Net Assets	<u>5,498,874</u>	<u>165,456</u>	<u>5,664,330</u>
Total Net Assets	<u>72,394,003</u>	<u>669,588</u>	<u>73,063,591</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 80,481,789</u>	<u>\$ 3,058,827</u>	<u>\$ 83,540,616</u>

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, 2007

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
<u>Operating Revenues</u>			
Program Operating Grants/Subsidies	\$18,146,473	\$ 0	\$18,146,473
Tenant Revenues	4,814,371	351,944	5,166,315
Other Income	<u>343,416</u>	<u>94,292</u>	<u>437,708</u>
Total Operating Revenues	<u>23,304,260</u>	<u>446,236</u>	<u>23,750,496</u>
<u>Operating Expenses</u>			
Administrative	4,627,709	190,387	4,818,096
Tenant Services	134,627	0	134,627
Utilities Expenses	3,306,529	89,599	3,396,128
Ordinary Maintenance Operation	4,353,635	106,182	4,459,817
Protective Services	79,383	0	79,383
General	874,889	171,620	1,046,509
Housing Assistance Expenses	8,274,030	0	8,274,030
Depreciation	4,623,334	60,820	4,684,154
Other Expenses	<u>27,719</u>	<u>0</u>	<u>27,719</u>
Total Operating Expenses	<u>26,301,855</u>	<u>618,608</u>	<u>26,920,463</u>
Operating Income (Loss)	<u>(2,997,595)</u>	<u>(172,372)</u>	<u>(3,169,967)</u>
<u>Non-Operating Revenue (Expenses)</u>			
Capital Grants	2,162,779	0	2,162,779
Interest Income	152,971	101,683	254,654
Interest Expense	<u>(44,948)</u>	<u>(66,940)</u>	<u>(111,888)</u>
Total Non-Operating Revenue (Expenses)	<u>2,270,802</u>	<u>34,743</u>	<u>2,305,545</u>
Excess (Deficiency) of Revenue Over (Under) Expenses	<u>(726,793)</u>	<u>(137,629)</u>	<u>(864,422)</u>
Beginning Net Assets	73,546,078	665,803	74,211,881
Prior Period Adjustments	<u>(425,282)</u>	<u>141,414</u>	<u>(283,868)</u>
ENDING NET ASSETS	<u>\$72,394,003</u>	<u>\$ 669,588</u>	<u>\$73,063,591</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, 2007

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities</u>			
Cash Received from HUD and Other Governments	\$18,674,539	\$ 141,414	\$18,815,953
Cash Received from Tenants	5,122,767	249,393	5,372,160
Cash Received from Other Sources	339,817	94,309	434,126
Cash Payments for Housing Assistance Payments	(8,274,030)	0	(8,274,030)
Cash Payments for Administrative	(4,456,756)	(190,387)	(4,647,143)
Cash Payments for Other Operating Expenses	<u>(8,636,424)</u>	<u>(367,454)</u>	<u>(9,003,878)</u>
Net Cash (Used) by Operating Activities	<u>2,769,913</u>	<u>(72,725)</u>	<u>2,697,188</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Payments on Debt	(206,925)	(37,569)	(244,494)
Acquisition of Fixed Assets	(7,665,956)	(170,858)	(7,836,814)
Debt Proceeds	4,873,141	76,307	4,949,448
Capital Grants Received	<u>2,162,779</u>	<u>0</u>	<u>2,162,779</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u>(836,961)</u>	<u>(132,120)</u>	<u>(969,081)</u>
<u>Cash Flows from Investing Activities</u>			
Investments Redeemed	127,072	92,772	219,844
Investment Income	152,971	101,683	254,654
Interest Expense	<u>(44,948)</u>	<u>(66,940)</u>	<u>(111,888)</u>
Net Cash Provided by Investing Activities	<u>235,095</u>	<u>127,515</u>	<u>362,610</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,168,047	(77,330)	2,090,717
Cash and Cash Equivalents, Beginning	<u>1,204,680</u>	<u>372,351</u>	<u>1,577,031</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,372,727</u>	<u>\$ 295,021</u>	<u>\$ 3,667,748</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>			
Net Operating Income (Loss)	\$(2,997,595)	\$ (172,372)	\$(3,169,967)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities			
Depreciation	4,623,334	60,820	4,684,154
(Increase) Decrease in:			
Receivables - Net of Allowance	67,774	(775,242)	(707,468)
Inventory	141,126	0	141,126
Notes Receivable and Prepaid Expenses	755,501	454,157	1,209,658
Increase (Decrease) in:			
Accounts Payable	284,115	91,064	375,179
Non-Current Liabilities	170,953	127,417	298,370
Accrued Wages/Payroll Taxes	(365,190)	0	(365,190)
Intergovernmental Payable	(28,053)	141,414	113,361
Tenants' Security Deposits	(3,599)	266	(3,333)
Deferred Credits/Other Liabilities	<u>121,547</u>	<u>(249)</u>	<u>121,298</u>
Net Cash Used by Operating Activities	<u>\$ 2,769,913</u>	<u>\$ (72,725)</u>	<u>\$ 2,697,188</u>

See accompanying notes to the basic financial statements.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

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 misleading

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

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

C. **Reporting Entity** (Continued)

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. Due to the

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

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

C. **Reporting Entity** (Continued)

Discretely Presented Component Units (Continued)

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 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, 2007
(CONTINUED)

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 2007 totaled \$152,971 for the primary government and \$101,683 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, 2007
(CONTINUED)

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, 2007
(CONTINUED)**

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.

At year-end, the carrying amount of the Authority's deposits was \$4,491,394 (including \$1,736,184 of unrestricted funds, \$2,754,000 of nonnegotiable certificates of deposit, and \$1,210 of petty cash) and the bank balance was \$4,708,028.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

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

A. **Deposits** (Continued)

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 of the primary government totaling \$100,000 were covered by National Credit Union Share Insurance Fund, deposits totaling \$102,298 were covered by Federal Depository Insurance, and deposits totaling \$4,505,730 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, 2007
(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 the primary government's cash and cash equivalents and investments is as follows:

	<u>Cash and Cash</u>	<u>Investments</u>
	<u>Equivalents *</u>	
Per Statement of Net Assets (net of bank overdraft)	\$ 3,372,727	\$ 1,118,667
Certificates of Deposit (Nonnegotiable)	<u>1,118,667</u>	<u>(1,118,667)</u>
Per GASB Statement No. 3	<u>\$ 4,491,394</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, 2007
(CONTINUED)**

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

C. **Component Unit**

At year end, the carrying amount of the component units deposits was \$295,021, of this amount \$100,000 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 exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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	\$ 193,201,357
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, 2007
(CONTINUED)

NOTE 5: CAPITAL ASSETS

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

	Primary Government	Component Units	Totals
<i>Capital Assets Not Depreciated</i>			
Land	\$ 12,881,649	\$ 171,399	\$ 13,053,048
Construction in Progress	11,003,259	0	11,003,259
<i>Total Capital Assets Not Depreciated</i>	<u>23,884,908</u>	<u>171,399</u>	<u>24,056,307</u>
<i>Capital Assets Being Depreciated</i>			
Buildings and Building Improvements	122,854,330	1,583,811	124,438,141
Furniture and Equipment Dwelling	4,188,611	48,162	4,236,773
<i>Total Capital Assets being Depreciated</i>	<u>127,042,941</u>	<u>1,631,973</u>	<u>128,674,914</u>
Less Accumulated Depreciation	<u>(78,715,276)</u>	<u>(197,916)</u>	<u>(78,913,192)</u>
<i>Net Capital Assets Being Depreciated</i>	<u>48,327,665</u>	<u>1,434,057</u>	<u>49,761,722</u>
Total Capital Assets	<u>\$ 72,212,573</u>	<u>\$ 1,605,456</u>	<u>\$ 73,818,029</u>

The following is a summary of changes:

	Primary Government			
	Balance 04/01/2006	Additions	Deletions	Balance 03/31/2007
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 12,881,649	\$ 0	\$ 0	\$ 12,881,649
Construction in Progress	3,494,038	7,681,301	(172,080)	11,003,259
<i>Total Capital Assets, Not Being Depreciated</i>	<u>16,375,687</u>	<u>7,681,301</u>	<u>(172,080)</u>	<u>23,884,908</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	123,362,192	0	(507,862)	122,854,330
Furniture and Equipment Dwelling	4,079,324	156,735	(47,448)	4,188,611
<i>Total Capital Assets Being Depreciated</i>	<u>127,441,516</u>	<u>156,735</u>	<u>(555,310)</u>	<u>127,042,941</u>
Less Accumulated Depreciated	<u>(74,139,390)</u>	<u>(4,623,334)</u>	<u>47,448</u>	<u>(78,715,276)</u>
<i>Net Capital Assets Being Depreciated</i>	<u>53,302,126</u>	<u>(4,466,599)</u>	<u>(507,862)</u>	<u>48,327,665</u>
Total Primary Government	<u>\$ 69,677,813</u>	<u>\$ 3,214,702</u>	<u>\$ (679,942)</u>	<u>\$ 72,212,573</u>
Component Units				
	Balance 04/30/2006	Additions	Deletions	Balance 03/31/2007
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 92,449	\$ 78,950	\$ 0	\$ 171,399
<i>Total Capital Assets, Not Depreciated</i>	<u>92,449</u>	<u>78,950</u>	<u>0</u>	<u>171,399</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	1,492,342	91,469	0	1,583,811
Furniture and Equipment Dwelling	47,723	439	0	48,162
<i>Total Capital Assets Being Depreciated</i>	<u>1,540,065</u>	<u>91,908</u>	<u>0</u>	<u>1,631,973</u>
Less Accumulated Depreciation	<u>(137,096)</u>	<u>(60,820)</u>	<u>0</u>	<u>(197,916)</u>
<i>Net Capital Assets Being Depreciated</i>	<u>1,402,969</u>	<u>31,088</u>	<u>0</u>	<u>1,434,057</u>
Net Component Units	<u>\$ 1,495,418</u>	<u>\$ 110,038</u>	<u>\$ 0</u>	<u>\$ 1,605,456</u>

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

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

The Authority's capitalization limit is \$500. 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.

Effective January 1, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries; the percent of contributions increased to 9.5 percent effective January 1, 2007. The Authority's contribution rate for pension benefits was 9.2 percent of covered payroll through December 31, 2006; effective January 1, 2007, the percent decreased to 8.85 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended March 31, 2007, 2006, and 2005 were \$345,926, \$397,203, and \$455,976, respectively; 100 percent has been contributed for 2007, 2006, and 2005. No employees are participating in the member-directed plan.

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 plans; 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 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care. Effective January 1, 2007, the Authority's contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund healthcare.

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, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 6.00 percent for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4 percent (the projected was inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

At December 31, 2006, the number of active contributing participants in the traditional and combined plans totaled 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2007 which were used to fund postemployment benefits were 175,117. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

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, 2007, based on the vesting method, \$83,340 was accrued by the Authority for unused vacation and sick time. The current portion is \$53,933 and the long term portion is \$529,407.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

NOTE 9: LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations during fiscal year 2007 are as follows:

	<u>Balance</u> <u>at 3/31/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>at 3/31/07</u>	<u>Due Within</u> <u>One Year</u>
<u>General Long-Term Obligations</u>					
<i><u>Primary Government</u></i>					
Long-Term Debt:					
United National Bank and Trust, 3/22/2002, 4.975%	\$ 16,426	\$ 0	\$ (16,426)	\$ 0	\$ 0
United National Bank and Trust, 7/9/1999, 4.44%	259,599	0	(69,565)	190,034	73,116
Bank One, 11/03/1998, 4.18%, Energy Conservation	29,167	0	(29,167)	0	0
First Merit, 8/07/2002, 5.15% Hillview Apartments	346,036	0	(47,365)	298,671	49,847
First Merit, 11/22/2006, 5.02% Cleveland Ave. Improvements	0	1,000,000	(9,770)	990,230	30,309
Fifth Third, 5/22/2006, 7.57% Equipment Lease	0	2,600,000	(34,632)	2,565,368	90,752
Local Initiative Support, 7%, Knights of Columbus Renovations	<u>0</u>	<u>1,273,141</u>	<u>0</u>	<u>1,273,141</u>	<u>500,000</u>
Total Long-Term Debt	651,228	4,873,141	(206,925)	5,317,444	744,024
Compensated Absences	<u>831,662</u>	<u>0</u>	<u>(248,322)</u>	<u>583,340</u>	<u>53,933</u>
<i>Total Primary Government</i>	<u>1,482,890</u>	<u>4,873,141</u>	<u>(455,247)</u>	<u>5,900,784</u>	<u>797,957</u>
<i><u>Component Units</u></i>					
Freed Housing Corporation, (Various Notes)	575,995	76,307	(9,066)	643,236	96,486
Washington Area, Housing Agency LLC	<u>486,591</u>	<u>0</u>	<u>(28,503)</u>	<u>458,088</u>	<u>29,941</u>
<i>Total Component Units</i>	<u>1,062,586</u>	<u>76,307</u>	<u>(37,569)</u>	<u>1,101,324</u>	<u>126,427</u>
Total Long-Term Obligations	<u>\$ 2,545,476</u>	<u>\$ 4,949,448</u>	<u>\$ (492,816)</u>	<u>\$ 7,002,108</u>	<u>\$ 924,384</u>

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

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

The Authority was obligated on the following notes as of March 31, 2007:

<u>United National Bank and Trust</u>	
Note dated July 9, 1999; due July, 2009; 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.	\$ 190,034
<u>First Merit Bank</u>	
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.	298,671
<u>First Merit Bank</u>	
Note dated November 22, 2006; payable in monthly installments of \$6,611, including interest at a fixed rate of 5.02% with the note due July 2009. The note is issued for purchase and improvements of property at 601 Cleveland Avenue North,	990,230
<u>Fifth Third Bank</u>	
Note dated May 22, 2006; due January 2017; payable in monthly installments of \$29,176 in principal plus interest at a fixed rate of 7.57%. The note was issued for the purpose of making energy efficiency improvements associated with the Canton Senior Center construction project.	2,565,368
<u>Local Initiative Support</u>	
Note dated February 8, 2007, due September 2011, payable in annual installments of \$350,000 principal and interest at a fixed rate of 7%. The note was issued to support the renovation of the former Knights of Columbus building.	<u>1,273,141</u>
Total	<u>\$ 5,317,444</u>

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 31, 2008	\$ 744,024	\$ 299,562	\$1,043,586
March 31, 2009	617,782	300,987	918,769
March 31, 2010	593,622	260,196	853,818
March 31, 2011	290,457	221,552	512,009
March 31, 2012	231,941	201,807	433,748
2013-2017	2,233,058	775,204	3,008,262
2018-2022	277,142	119,495	396,637
2023-2027	<u>329,418</u>	<u>40,776</u>	<u>370,194</u>
Total	<u>\$ 5,317,444</u>	<u>\$2,219,579</u>	<u>\$7,537,023</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%	\$ 93,660
First Merit Bank - Line of Credit	146,253
First Merit Bank - Promissory Note - Principal Amount \$187,000, Interest Rate of 2.99%	173,563
First Merit Bank - Promissory Note - Principal Amount \$97,000, Interest Rate of 8.0%	90,242
First Merit Bank - Promissory Note - Principal Amount \$50,000, Interest Rate of 7.21%	46,599
First Merit Bank - Promissory Note - Principal Amount \$50,000 - Interest Rate of 6.2%	41,756
First Merit Bank - Promissory Note - Principal Amount \$52,400 - Interest Rate of 7.68%	51,163
Washington Area Housing Agency LLC	<u>458,088</u>
Total	<u>\$1,101,324</u>

Amortization of the debt was not available.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

NOTE 10: CONSTRUCTION AND OTHER COMMITMENTS

The Authority had the following material construction commitments at March 31, 2007:

<u>Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding at 3-31-07</u>
A & E Services for Renovations of 3 high-rises buildings	\$ 409,646	\$ 104,050
Renovation of Canton Senior Center - General	4,934,348	439,420
Renovation of Canton Senior Center - Energy Efficiency Improvements	2,563,037	204,037

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 2007:

<u>Housing Choice Vouchers</u>	
Settlement received from fiscal year 2005	\$ 248,912
<u>State and Local</u>	
Adjustment to Capital Assets	(335,886)
<u>Capital Fund</u>	
Adjustment to Capital Assets	(229,653)
<u>Miscellaneous</u>	
Other program adjustments	(108,655)
Total Adjustments	<u>\$ (425,282)</u>

In addition, the Authority's component unit equity balance increased due to a change in the reporting of revenue reported in 2007 in the amount of \$141,414.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

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>
<u>Balance Sheet</u>				
Current Assets	\$ 265,956	\$ 960,188	\$ 70,788	\$ 1,296,932
Capital Assets	1,126,973	1,207	477,276	1,605,456
Other Assets	0	156,439	0	156,439
Current Liabilities	260,448	0	90,310	350,758
Non-Current Liabilities	546,750	1,060,675	431,056	2,038,481
Net Assets	585,731	57,159	26,698	669,588
<u>Revenues Expenses and Change in Equity</u>				
Operating Revenue	\$ 124,447	\$ 61,751	\$ 260,038	\$ 446,236
Operating Expenses	244,228	151,134	223,246	618,608
Net Operating Income (Loss)	(119,781)	(89,383)	36,792	(172,372)
Net Non-Operating Revenue Over Expenses	(43,132)	101,683	(23,808)	34,743
Excess of Revenue Over Expenses	(162,913)	12,300	12,984	(137,629)

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
COMBINING BALANCE SHEET BY PROGRAM
MARCH 31, 2007**

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
	ASSETS							
111	Cash - Unrestricted	\$0	\$0	\$0	\$0	\$0	\$2,365,194	\$0
112	Cash - Restricted - Modernization and Development	\$0	\$0	\$0	\$0	\$0	\$0	\$0
114	Cash - Tenant Security Deposits	\$0	\$0	\$0	\$0	\$0	\$366,702	\$0
100	Total Cash	\$0	\$0	\$0	\$0	\$0	\$2,731,896	\$0
122	Accounts Receivable - HUD Other Projects	\$0	\$8,024	\$117,581	\$0	\$0	\$0	\$0
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$166,033	\$0
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$0	\$0	\$0	\$239,065	\$0
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0	(\$23,907)	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
127	Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$0	\$0	\$757,774	\$0
128	Fraud Recovery	\$0	\$2,749	\$485	\$106	\$273	\$32,699	\$250
128.1	Allowance for Doubtful Accounts - Fraud	\$0	(\$82)	(\$15)	(\$3)	(\$8)	(\$3,270)	(\$7)
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$10,691	\$118,051	\$103	\$265	\$1,168,394	\$243
131	Investments - Unrestricted	\$0	\$292,561	\$0	\$59,883	\$56,154	\$0	\$8,277
142	Prepaid Expenses and Other Assets	\$0	\$0	\$0	\$0	\$0	\$414,837	\$0
143	Inventories	\$0	\$0	\$0	\$0	\$0	\$359,237	\$0
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	(\$11,570)	\$0
144	Interprogram Due From	\$0	\$0	\$0	\$0	\$0	\$942,581	\$0
150	Total Current Assets	\$0	\$303,252	\$118,051	\$59,986	\$56,419	\$5,605,375	\$8,520
161	Land	\$0	\$0	\$0	\$0	\$0	\$12,862,049	\$0
162	Buildings	\$0	\$0	\$0	\$0	\$0	\$120,981,846	\$0
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$0	\$0	\$64,047	\$0
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$0	\$0	\$0	\$3,856,908	\$0
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	(\$78,214,135)	\$0
167	Construction In Progress	\$0	\$348,466	\$0	\$0	\$0	\$5,170,056	\$0
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$348,466	\$0	\$0	\$0	\$64,720,771	\$0
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$0	\$0	\$956,306	\$0
174	Other Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
180	Total Non-Current Assets	\$0	\$348,466	\$0	\$0	\$0	\$65,677,077	\$0
190	Total Assets	\$0	\$651,718	\$118,051	\$59,986	\$56,419	\$71,282,452	\$8,520

Note: For the purpose of the basic financial statements on page 10, interprogram receivables and payables have been eliminated.

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
COMBINING BALANCE SHEET BY PROGRAM
MARCH 31, 2007**

Line Item No.	Account Description	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	Component Units	Total
	ASSETS								
111	Cash - Unrestricted	\$0	\$0	\$0	\$306,801	\$0	\$488,235	\$283,473	\$3,443,703
112	Cash - Restricted - Modernization and Development	\$0	\$0	\$0	\$0	\$262,833	\$0	\$0	\$262,833
114	Cash - Tenant Security Deposits	\$0	\$0	\$0	\$0	\$0	\$17,630	\$11,548	\$395,880
100	Total Cash	\$0	\$0	\$0	\$306,801	\$262,833	\$505,865	\$295,021	\$4,102,416
122	Accounts Receivable - HUD Other Projects	\$1,194	\$0	\$0	\$0	\$226,227	\$0	\$0	\$353,026
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$35,000	\$82,047	\$283,080
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$0	\$0	\$0	\$41,561	\$24,914	\$305,540
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0	\$0	(\$2,464)	(\$26,371)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
127	Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$0	\$0	\$0	\$807,829	\$1,565,603
128	Fraud Recovery	\$220	\$151	\$0	\$11,210	\$0	\$0	\$0	\$48,143
128.1	Allowance for Doubtful Accounts - Fraud	(\$7)	(\$5)	\$0	(\$336)	\$0	\$0	\$0	(\$3,733)
120	Total Receivables, net of allowances for doubtful accounts	\$1,407	\$146	\$0	\$10,874	\$226,227	\$76,561	\$912,326	\$2,525,288
131	Investments - Unrestricted	\$0	\$0	\$0	\$517,792	\$0	\$184,000	\$66,019	\$1,184,686
142	Prepaid Expenses and Other Assets	\$0	\$0	\$0	\$5,119	\$0	\$6,263	\$23,566	\$449,785
143	Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$359,237
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$11,570)
144	Interprogram Due From	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$942,581
150	Total Current Assets	\$1,407	\$146	\$0	\$840,586	\$489,060	\$772,689	\$1,296,932	\$9,552,423
161	Land	\$0	\$0	\$0	\$0	\$0	\$19,600	\$171,399	\$13,053,048
162	Buildings	\$0	\$0	\$0	\$150,000	\$0	\$1,722,484	\$1,583,811	\$124,438,141
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$0	\$0	\$9,650	\$9,317	\$83,014
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$0	\$59,149	\$0	\$198,857	\$38,845	\$4,153,759
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	\$0	\$0	\$0	(\$93,536)	\$0	(\$407,605)	(\$197,916)	(\$78,913,192)
167	Construction In Progress	\$0	\$0	\$0	\$0	\$5,484,737	\$0	\$0	\$11,003,259
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$115,613	\$5,484,737	\$1,542,986	\$1,605,456	\$73,818,029
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$0	\$0	\$0	\$142,558	\$1,098,864
174	Other Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$13,881	\$13,881
180	Total Non-Current Assets	\$0	\$0	\$0	\$115,613	\$5,484,737	\$1,542,986	\$1,761,895	\$74,930,774
190	Total Assets	\$1,407	\$146	\$0	\$956,199	\$5,973,797	\$2,315,675	\$3,058,827	\$84,483,197

Note: For the purpose of the basic financial statements on page 10, interprogram receivables and payables have been eliminated.

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
COMBINING BALANCE SHEET BY PROGRAM
MARCH 31, 2007**

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
LIABILITIES								
311	Bank Overdraft	\$0	\$0	\$66,849	\$0	\$0	\$0	\$0
312	Accounts Payable <= 90 Days	\$0	\$0	\$23,190	\$0	\$0	\$773,849	\$0
321	Accrued Wage/Payroll Taxes Payable	\$0	\$2,385	\$420	\$92	\$236	\$62,959	\$217
322	Accrued Compensated Absences - Current Portion	\$0	\$1,621	\$286	\$62	\$161	\$44,831	\$147
331	Accounts Payable - HUD PHA Programs	\$0	\$44,265	\$0	\$0	\$1,898	\$0	\$28,830
332	Accounts Payable - PHA Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0
333	Accounts Payable - Other Government	\$0	\$3,624	\$639	\$140	\$360	\$137,433	\$330
341	Tenant Security Deposits	\$0	\$0	\$0	\$0	\$0	\$366,702	\$0
342	Deferred Revenues	\$0	\$0	\$0	\$0	\$0	\$147,492	\$0
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$694,177	\$0
345	Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$50,331	\$0
347	Interprogram Due To	\$0	\$11,547	\$6,191	\$1,069	\$2,430	\$0	\$3,548
310	Total Current Liabilities	\$0	\$63,442	\$97,575	\$1,363	\$5,085	\$2,277,774	\$33,072
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$4,324,596	\$0
354	Accrued Compensated Absences - Non Current	\$0	\$24,891	\$4,388	\$960	\$2,468	\$383,548	\$2,263
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
350	Total Noncurrent Liabilities	\$0	\$24,891	\$4,388	\$960	\$2,468	\$4,708,144	\$2,263
300	Total Liabilities	\$0	\$88,333	\$101,963	\$2,323	\$7,553	\$6,985,918	\$35,335
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$348,466	\$0	\$0	\$0	\$59,701,998	\$0
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$0	\$214,919	\$16,088	\$57,663	\$48,866	\$4,594,536	(\$26,815)
513	Total Equity/Net Assets	\$0	\$563,385	\$16,088	\$57,663	\$48,866	\$64,296,534	(\$26,815)
600	Total Liabilities and Equity/Net Assets	\$0	\$651,718	\$118,051	\$59,986	\$56,419	\$71,282,452	\$8,520

Note: For the purpose of the basic financial statements on page 10, interprogram receivables and payables have been eliminated.

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
COMBINING BALANCE SHEET BY PROGRAM
MARCH 31, 2007**

Line Item No.	Account Description	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	Component Units	Total
	LIABILITIES								
311	Bank Overdraft	\$62,691	\$305,128	\$0	\$0	\$0	\$0	\$0	\$434,668
312	Accounts Payable <= 90 Days	\$0	\$0	\$0	\$0	\$0	\$71,240	\$210,480	\$1,078,759
321	Accrued Wage/Payroll Taxes Payable	\$190	\$131	\$0	\$9,720	\$0	\$0	\$0	\$76,350
322	Accrued Compensated Absences - Current Portion	\$129	\$89	\$0	\$6,607	\$0	\$0	\$0	\$53,933
331	Accounts Payable - HUD PHA Programs	\$0	\$1,580	\$0	\$0	\$0	\$0	\$0	\$76,573
332	Accounts Payable - PHA Projects	\$0	\$0	\$0	\$1,242	\$0	\$0	\$0	\$1,242
333	Accounts Payable - Other Government	\$290	\$200	\$0	\$4,419	\$0	\$0	\$0	\$147,435
341	Tenant Security Deposits	\$0	\$0	\$0	\$0	\$0	\$17,630	\$11,548	\$395,880
342	Deferred Revenues	\$0	\$0	\$0	\$0	\$0	\$300	\$2,303	\$150,095
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$49,847	\$126,427	\$870,451
345	Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$50,331
347	Interprogram Due To	\$3,293	\$2,345	\$0	\$128,026	\$489,060	\$295,072	\$0	\$942,581
310	Total Current Liabilities	\$66,593	\$309,473	\$0	\$150,014	\$489,060	\$434,089	\$350,758	\$4,278,298
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$248,824	\$974,897	\$5,548,317
354	Accrued Compensated Absences - Non Current	\$1,988	\$1,371	\$0	\$101,480	\$0	\$6,050	\$0	\$529,407
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$1,063,584	\$1,063,584
350	Total Noncurrent Liabilities	\$1,988	\$1,371	\$0	\$101,480	\$0	\$254,874	\$2,038,481	\$7,141,308
300	Total Liabilities	\$68,581	\$310,844	\$0	\$251,494	\$489,060	\$688,963	\$2,389,239	\$11,419,606
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$0	\$0	\$115,613	\$5,484,737	\$1,244,315	\$504,132	\$67,399,261
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	(\$67,174)	(\$310,698)	\$0	\$589,092	\$0	\$382,397	\$165,456	\$5,664,330
513	Total Equity/Net Assets	(\$67,174)	(\$310,698)	\$0	\$704,705	\$5,484,737	\$1,626,712	\$669,588	\$73,063,591
600	Total Liabilities and Equity/Net Assets	\$1,407	\$146	\$0	\$956,199	\$5,973,797	\$2,315,675	\$3,058,827	\$84,483,197

Note: For the purpose of the basic financial statements on page 10, interprogram receivables and payables have been eliminated.

STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY BY PROGRAM
MARCH 31, 2007

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
	REVENUES							
703	Net Tenant Rental Revenue	\$0	\$0	\$0	\$0	\$0	\$4,622,646	\$0
704	Tenant Revenue - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
705	Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$4,622,646	\$0
706	HUD PHA Operating Grants	\$19,067	\$1,573,029	\$400,021	\$69,923	\$93,690	\$7,082,018	\$174,067
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0
711	Investment Income - Unrestricted	\$0	\$8,481	\$1,695	\$0	\$714	\$99,022	\$900
712	Mortgage Interest Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$293	\$0	\$350
715	Other Revenue	\$250	\$0	\$0	\$0	\$0	\$71,541	\$0
700	Total Revenues	\$19,317	\$1,581,510	\$401,716	\$69,923	\$94,697	\$11,875,227	\$175,317
	EXPENSES							
911	Administrative Salaries	\$25,304	\$26,970	\$12,290	\$1,888	\$4,466	\$953,208	\$4,704
912	Auditing Fees	\$0	\$252	\$85	\$43	\$98	\$10,498	\$99
913	Outside Management Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0
914	Compensated Absences	\$0	\$0	\$0	\$0	\$0	\$0	\$0
915	Employee Benefit Contributions - Administrative	\$0	\$19,448	\$9,437	\$1,435	\$3,585	\$543,324	\$3,328
916	Other Operating - Administrative	\$0	\$2,167	\$1,833	\$634	\$1,669	\$562,486	\$915
921	Tenant Services - Salaries	\$0	\$0	\$0	\$0	\$0	\$56,381	\$0
924	Tenant Services - Other	\$0	\$0	\$0	\$0	\$0	\$78,246	\$0
931	Water	\$0	\$0	\$0	\$0	\$0	\$409,694	\$0
932	Electricity	\$0	\$0	\$0	\$0	\$0	\$695,865	\$0
933	Gas	\$0	\$0	\$0	\$0	\$0	\$1,699,378	\$0
938	Other Utilities Expense	\$0	\$0	\$0	\$0	\$0	\$443,371	\$0
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$0	\$0	\$0	\$1,460,644	\$0
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$0	\$0	\$0	\$674,177	\$0
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$0	\$0	\$0	\$0	\$1,459,678	\$0
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$0	\$0	\$0	\$668,748	\$0
951	Protective Services - Labor	\$0	\$0	\$0	\$0	\$0	\$44,071	\$0
952	Protective Services - Other Contract Costs	\$0	\$0	\$0	\$0	\$0	\$7,756	\$0
953	Protective Services - Other	\$0	\$0	\$0	\$0	\$0	\$2,461	\$0
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$0	\$0	\$0	\$25,095	\$0
961	Insurance Premiums	\$0	\$6,112	\$166	\$83	\$166	\$471,283	\$4,241
962	Other General Expenses	\$0	\$0	\$0	\$0	\$0	\$1,701	\$0
963	Payments in Lieu of Taxes	\$0	\$0	\$0	\$0	\$0	\$137,433	\$0
964	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$0	\$0	\$107,008	\$0
965	Bad Debt - Mortgages	\$0	\$0	\$0	\$0	\$0	\$0	\$0
966	Bad Debt - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
967	Interest Expense	\$0	\$0	\$0	\$0	\$0	\$28,009	\$0
968	Severance Expense	\$0	\$0	\$0	\$0	\$0	\$30,331	\$0
969	Total Operating Expenses	\$25,304	\$54,949	\$23,811	\$4,083	\$9,984	\$10,570,846	\$13,287

STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY BY PROGRAM
MARCH 31, 2007

Line Item No.	Account Description	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	Component Units	Total
	REVENUES								
703	Net Tenant Rental Revenue	\$0	\$0	\$0	\$0	\$0	\$191,725	\$126,641	\$4,941,012
704	Tenant Revenue - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$225,303	\$225,303
705	Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$191,725	\$351,944	\$5,166,315
706	HUD PHA Operating Grants	\$114,819	\$82,559	\$90,684	\$6,782,471	\$1,351,835	\$0	\$0	\$17,834,183
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$2,162,779	\$0	\$0	\$2,162,779
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$312,290	\$0	\$312,290
711	Investment Income - Unrestricted	\$617	\$423	\$0	\$35,159	\$0	\$5,960	\$3,099	\$156,070
712	Mortgage Interest Income	\$0	\$0	\$0	\$0	\$0	\$0	\$98,584	\$98,584
714	Fraud Recovery	\$120	\$1,005	\$0	\$18,245	\$0	\$0	\$0	\$20,013
715	Other Revenue	\$0	\$0	\$0	\$54	\$0	\$251,558	\$94,292	\$417,695
700	Total Revenue	\$115,556	\$83,987	\$90,684	\$6,835,929	\$3,514,614	\$761,533	\$547,919	\$26,167,929
	EXPENSES								
911	Administrative Salaries	\$4,203	\$2,631	\$36,982	\$321,985	\$255,138	\$203,826	\$79,012	\$1,932,607
912	Auditing Fees	\$85	\$50	\$0	\$4,727	\$1,325	\$0	\$0	\$17,262
913	Outside Management Fees	\$0	\$0	\$0	\$0	\$0	\$11,552	\$20,197	\$31,749
914	Compensated Absences	\$0	\$0	\$0	\$0	\$0	\$2,861	\$0	\$2,861
915	Employee Benefit Contributions - Administrative	\$2,929	\$1,017	\$21,816	\$211,608	\$280,387	\$110,086	\$0	\$1,208,400
916	Other Operating - Administrative	\$864	\$905	\$39,346	\$65,138	\$814,985	\$43,097	\$91,178	\$1,625,217
921	Tenant Services - Salaries	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$56,381
924	Tenant Services - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$78,246
931	Water	\$0	\$0	\$0	\$0	\$0	\$4,959	\$10,574	\$425,227
932	Electricity	\$0	\$0	\$0	\$0	\$0	\$21,602	\$24,577	\$742,044
933	Gas	\$0	\$0	\$0	\$0	\$0	\$26,069	\$45,457	\$1,770,904
938	Other Utilities Expense	\$0	\$0	\$0	\$0	\$0	\$5,591	\$8,991	\$457,953
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,460,644
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$0	\$170	\$0	\$3,923	\$98,000	\$776,270
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$0	\$0	\$0	\$0	\$86,295	\$8,182	\$1,554,155
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$668,748
951	Protective Services - Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$44,071
952	Protective Services - Other Contract Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,756
953	Protective Services - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,461
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$25,095
961	Insurance Premiums	\$4,044	\$3,996	\$0	\$61,387	\$0	\$13,570	\$32,510	\$597,558
962	Other General Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$67,336	\$69,037
963	Payments in Lieu of Taxes	\$0	\$0	\$0	\$0	\$0	\$22,338	\$0	\$159,771
964	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$0	\$0	\$11,030	\$0	\$118,038
965	Bad Debt - Mortgages	\$0	\$0	\$0	\$0	\$0	\$0	\$68,000	\$68,000
966	Bad Debt - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$3,774	\$3,774
967	Interest Expense	\$0	\$0	\$0	\$0	\$0	\$16,939	\$66,940	\$111,888
968	Severance Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,331
969	Total Operating Expenses	\$12,125	\$8,599	\$98,144	\$665,015	\$1,351,835	\$583,738	\$624,728	\$14,046,448

STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY BY PROGRAM
MARCH 31, 2007

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
970	Excess Operating Revenue over Operating Expenses	(\$5,987)	\$1,526,561	\$377,905	\$65,840	\$84,713	\$1,304,381	\$162,030
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$0	\$0	\$0	\$27,719	\$0
973	Housing Assistance Payments	\$0	\$1,472,408	\$374,022	\$60,254	\$76,765	\$0	\$156,207
974	Depreciation Expense	\$0	\$0	\$0	\$0	\$0	\$4,523,276	\$0
900	Total Expenses	\$25,304	\$1,527,357	\$397,833	\$64,337	\$86,749	\$15,121,841	\$169,494
1001	Operating Transfers In	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$5,987)	\$54,153	\$3,883	\$5,586	\$7,948	(\$3,246,614)	\$5,823
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$0	\$508,374	\$12,205	\$51,936	\$41,004	\$67,664,254	(\$30,729)
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$5,987	\$858	\$0	\$141	(\$86)	(\$121,106)	(\$1,909)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$130,528	\$0	\$0	\$108,432	\$0	\$234,447
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$3,474,854	\$0	\$0	\$90,558	\$0	\$254,703
1116	Total Annual Contributions Available	\$0	\$3,605,382	\$0	\$0	\$198,990	\$0	\$489,150
1120	Unit Months Available	0	4,356	1,992	300	432	30,708	456
1121	Number of Unit Months Leased	0	4,316	1,948	152	386	28,891	382
1117	Administrative Fee Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0

STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY BY PROGRAM
MARCH 31, 2007

Line Item No.	Account Description	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	Component Units	Total
970	Excess Operating Revenue over Operating Expenses	\$103,431	\$75,388	(\$7,460)	\$6,170,914	\$2,162,779	\$177,795	(\$76,809)	\$12,121,481
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$27,719
973	Housing Assistance Payments	\$98,842	\$73,161	\$0	\$5,962,371	\$0	\$0	\$0	\$8,274,030
974	Depreciation Expense	\$0	\$0	\$0	\$6,963	\$0	\$93,095	\$60,820	\$4,684,154
900	Total Expenses	\$110,967	\$81,760	\$98,144	\$6,634,349	\$1,351,835	\$676,833	\$685,548	\$27,032,351
1001	Operating Transfers In	\$0	\$0	\$0	\$0	\$57,573	\$0	\$0	\$57,573
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$0	(\$57,573)	\$0	(\$57,573)
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$57,573	(\$57,573)	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$4,589	\$2,227	(\$7,460)	\$201,580	\$2,220,352	\$27,127	(\$137,629)	(\$864,422)
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	(\$71,763)	(\$312,925)	\$0	\$254,213	\$3,494,038	\$1,935,471	\$665,803	\$74,211,881
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$7,460	\$248,912	(\$229,653)	(\$335,886)	\$141,414	(\$283,868)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$136,860	\$94,892	\$0	\$0	\$0	\$0	\$0	\$705,159
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$664,105	\$2,885,637	\$0	\$0	\$0	\$0	\$0	\$7,369,857
1116	Total Annual Contributions Available	\$800,965	\$2,980,529	\$0	\$0	\$0	\$0	\$0	\$8,075,016
1120	Unit Months Available	408	240	0	18,024	0	672	600	58,188
1121	Number of Unit Months Leased	360	236	0	17,333	0	526	600	55,130
1117	Administrative Fee Equity	\$0	\$0	\$0	\$644,689	\$0	\$0	\$0	\$644,689
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$60,016	\$0	\$0	\$0	\$60,016

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2007**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
<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	\$ 19,067
Public and Indian Housing Operating Subsidy	14.850	7,082,018
Capital Fund Program	14.872	3,514,614
Shelter Care Plus	14.238	400,021
Resident Opportunity and Supportive Services	14.870	<u>90,684</u>
Total for PHA Owned Housing		<u>11,106,404</u>
<u>Section 8 Tenant Based Clusters</u>		
Housing Assistance Payments:		
Housing Choice- Vouchers	14.871	<u>6,782,471</u>
Total for Section 8 Tenant Based Clusters		<u>6,782,471</u>
<u>Section 8 Project Based Programs</u>		
Project Based - Mod Rehabilitation	14.856	371,445
- Single Room Occupancy	14.249	93,690
- New Construction	14.182	<u>1,573,029</u>
Subtotal Section 8 Project Based Programs		<u>2,038,164</u>
Home Investment Partnership Program (Passed through Stark County)	14.239	<u>69,923</u>
<i>Total U.S. Department of Housing and Urban Development</i>		<u>19,996,962</u>
TOTAL ALL PROGRAMS		<u>\$ 19,996,962</u>

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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 accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Stark Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2007, and have issued our report thereon dated December 6, 2007. 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. We did not audit the financial statements of the component units of the Stark Metropolitan Housing Authority, which statements reflect total assets of less than 4 percent of the total assets as of March 31, 2007 and total operating revenues constituting less than 2 percent of total operating revenues for the year then ended. These statements were audited by other auditors and these auditors have reported to you on the legal compliance and internal control over financial reporting of the component units. Accordingly, this report does not address the legal compliance and internal control over financial reporting of the component units of the Stark Metropolitan Housing Authority.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Stark Metropolitan Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Stark Metropolitan Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Stark Metropolitan Housing Authority's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Stark Metropolitan Housing Authority's basic 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*.

We noted certain matters that we have reported to the management of the Stark Metropolitan Housing Authority in a separate letter dated December 6, 2007.

This report is intended solely for the information and use of the audit committee, the Board of Directors, management, Auditor of State, 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

December 6, 2007

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
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 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended March 31, 2007. Stark 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 Stark Metropolitan Housing Authority's management. Our responsibility is to express an opinion on the Stark 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 Stark 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 Stark Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Stark 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 March 31, 2007.

Internal Control Over Compliance

The management of the Stark 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 Stark 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Stark Metropolitan Housing Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance that exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of management, the Board of Directors, 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

December 6, 2007

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
MARCH 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

2007(i)	Type of Financial Statement Opinion	Unqualified
2007(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2007(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2007(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2007(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2007(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2007(v)	Type of Major Programs' Compliance Opinion	Unqualified
2007(vi)	Are there any reportable findings under .510?	No
2007(vii)	Major Programs (list): Section 8 New Construction - CFDA #14.182 Section 8 Moderate Rehabilitation Single Room Occupancy- CFDA #14.249 Section 8 Moderate Rehabilitation - CFDA #14.856 Capital Funds - CFDA #14.872	
2007(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$599,909 Type B: > all others
2007(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.



Mary Taylor, CPA
Auditor of State

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
FEBRUARY 5, 2008**