

Stark Metropolitan Housing Authority

Financial Statements

For the Year Ended March 31, 2008



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Stark Metropolitan Housing Authority, Stark County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period April 1, 2007 through March 31, 2008. 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 20, 2009

This Page is Intentionally Left Blank.

STARK METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-13
Statement of Net Assets - Proprietary Fund Type - Enterprise Fund	14-15
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund Type - Enterprise Fund	16
Statement of Cash Flows - Proprietary Fund Type – Enterprise Fund	17-18
Notes to the Financial Statements	19-35
Supplemental Data:	
FDS Schedule Submitted To REAC	36-48
Schedule of Expenditures of Federal Awards	49
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	50-51
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	52-53
Schedule of Findings and Questioned Costs	54-57
Schedule of Prior Audit Findings	58

This Page is Intentionally Left Blank.



6548 Royalton Road, Suite 104
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@salcpa.com

Independent Auditors' Report

Board of Directors
Stark Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Stark Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2008, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Stark Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of the component units of Stark Metropolitan Housing Authority (see Note 1C for a description), which statements reflect total assets constituting three percent of the total assets at March 31, 2008, and total operating revenues constituting less than three percent of total operating revenues for the year then ended. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the component units, is based solely on the report of such other auditors.

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

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely component units of the Stark Metropolitan Housing Authority, Ohio, as of March 31, 2008, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 15, 2008, on my consideration of Stark Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Stark Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

Salvatore Consiglio, CPA, Inc.
August 15, 2008

STARK METROPOLITAN HOUSING AUTHORITY
Management’s Discussion and Analysis
For the Year ended March 31, 2008
(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, 2008 activities, resulting changes and currently known facts as it related to the primary government. Component unit activity is excluded from the figures discussion unless specifically mentioned. Please read this in conjunction with the Authority’s financial statements (beginning on page 14).

FINANCIAL HIGHLIGHTS

- The Authority’s net assets decreased by \$2.53 million (or 3%) during 2008, primarily due to a loss in Results from Operations of \$2.54 million. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$72.40 million and \$69.87 million for 2007 and 2008 respectively.
- Total revenues increased by \$.78 million (or 3%) during 2008, and were \$25.61 million and \$26.39 million for 2007 and 2008 respectively.
- The total expenses of all Authority programs increased by \$2.59 million (or 10%). Total expenses were \$26.34 million and \$28.93 million for 2007 and 2008 respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

<p>MD&A ~ Management Discussion and Analysis ~</p>
<p>Basic Financial Statement ~ Authority-wide Financial Statements ~</p>
<p><u>Other Required Supplementary Information</u> ~ Required Supplementary Information (other than MD&A) ~</p>

The primary focus of the Authority’s financial statements is on both the Authority as a whole (authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority’s accountability.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Year ended March 31, 2008
(Unaudited)

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all activities are consolidated into columns, which add to a total for the entire Authority.

These statements include a Statement of Net Cost, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets 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), grantor, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets in Capital Assets, Net of Related Debt", or "Restricted Net Assets". This account resembles the old operating reserves account.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows 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, 2008
(Unaudited)

Fund Financial Statements

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

Many of the programs 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 Programs

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that 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% of household income. The Conventional Public Housing Program also includes the Capital Funds 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% of household income.

Capital Fund Program – The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

Other Programs – The housing authority operates various other programs:

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, 2008
(Unaudited)

Section 8 Moderate Rehabilitation –The Authority administers Section 8 rental assistance programs where the department of Housing and Urban Development (HUD) enters into annual contribution contract with a private owner. The owner rent housing to eligible low-income individuals who typically pay rent of 30 percent of adjusted gross income. The remaining portion of the rent for the unit is paid to the owner by HUD through the HAP contract. The Authority acts as the middleman between HUD and the Private Owner and ascertains that the owner is operating the program in compliance with HUD requirements. The Authority earns an administration fee for these services rendered.

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to the prior year. The Authority is engaged only in business-type activities.

TABLE 1
Statement of Net Assets
(In millions of dollars)

<u>Stark Metropolitan Housing Authority</u>			
	<u>2008</u>		<u>2007</u>
Current Assets	\$ 13.61	\$	7.31
Capital Assets	70.89		72.21
Noncurrent Assets	0.44		0.96
Total Assets	<u>\$ 84.94</u>	<u>\$</u>	<u>80.48</u>
Current Liabilities	\$ 2.70	\$	2.98
Long-Term Liabilities	12.37		5.10
Total Liabilities	<u>15.07</u>		<u>8.08</u>
Net Assets:			
Investment in Capital Assets, net of Related Debt	58.01		66.90
Restricted Net Assets	7.70		-
Unrestricted Net Assets	4.16		5.50
Total Net Assets	<u>69.87</u>		<u>72.40</u>
Total Liabilities and Net Assets	<u>\$ 84.94</u>	<u>\$</u>	<u>80.48</u>

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Year ended March 31, 2008
(Unaudited)

<u>Component Units</u>			
	<u>2008</u>		<u>2007</u>
Current Assets	\$ 0.57	\$	1.30
Capital Assets	1.48		1.60
Noncurrent Assets	0.86		0.16
Total Assets	\$ 2.91	\$	3.06
Current Liabilities	\$ 0.28	\$	0.35
Long-Term Liabilities	2.09		2.04
Total Liabilities	2.37		2.39
Net Assets:			
Investment in Capital Assets, net of Related Debt	0.42		0.50
Restricted Net Assets	-		-
Unrestricted Net Assets	0.12		0.17
Total Net Assets	0.54		0.67
Total Liabilities and Net Assets	\$ 2.91	\$	3.06

For more detailed information see the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

During 2008, current and other assets increased by \$6.30 million, and current liabilities were decreased by \$.28 million. Assets primarily increased due to restricted cash from issuance of bonds for capital improvements utilizing HUD's Capital Funds Financing Program. Mortgage receivables decreased \$.7 million due to writing off 2nd mortgages associated with the 5(h) Homeownership program for participants reaching the 10 year requirement.

Capital assets also changed, decreasing from \$72.2 million to \$70.9 million. The \$1.3 million decrease may be attributed primarily to a combination of net acquisitions of \$3.95 million, less current year depreciation and amortization of \$5.27 million. For more detail see Table 5 "Capital Assets and Debt Administration" below.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2008
(Unaudited)

Table 2 presents details on the change in Unrestricted Net Assets

TABLE 2
Statement of Net Assets
(in millions of dollars)

<u>Stark Metropolitan Housing Authority</u>			
	Investment in	Restricted	Unrestricted
	Capital Assets	Net Assets	Net Assets
Beginning Balance - March 31, 2007	\$ 66.90	\$ -	\$ 5.50
Results of Operation			(2.54)
Adjustments:			
Current year Depreciation Expense (1)	(5.27)	-	5.27
Capital Expenditure (2)	3.95	-	(3.95)
Current year Debt Activities, Net	(7.57)	-	7.57
Rounding Adjustments	-	-	(0.01)
Transfer to Restricted Net Assets	-	7.70	(7.70)
Ending Balance - March 31, 2008	\$ 58.01	\$ 7.70	\$ 4.14

<u>Component Unit</u>			
	Investment in	Restricted	Unrestricted
	Capital Assets	Net Assets	Net Assets
Beginning Balance - March 31, 2007	\$ 0.50	\$ -	\$ 0.17
Results of Operation	-	-	0.04
Adjustments:			
Current year Depreciation Expense (1)	(0.07)	-	0.07
Capital Expenditure net of Disposals(2)	(0.05)	-	0.05
Current year Debt Activities, Net	0.04	-	(0.04)
Prior Period Adjustments	-	-	(0.16)
Ending Balance - March 31, 2008	\$ 0.42	\$ -	\$ 0.13

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2008
(Unaudited)

(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 in only business-type activities.

TABLE 3
Statement of Net Assets (in millions of dollars)

<u>Stark Metropolitan Housing Authority</u>			
	<u>2008</u>		<u>2007</u>
<u>Revenues</u>			
Total Tenant Revenues	\$ 5.03	\$	4.81
Operating Subsidies	19.01		18.15
Capital Grants	1.23		2.16
Investment Income	0.79		0.15
Other Revenues	0.33		0.34
Total Revenues	26.39		25.61
<u>Expenses</u>			
Administrative	5.33		4.63
Tenant Services	0.08		0.13
Utilities	3.24		3.31
Maintenance	5.21		4.35
Protective Services	0.20		0.08
General and Interest Expenses	1.16		0.92
Housing Assistance Payments	8.36		8.27
Depreciation	5.27		4.62
Other	0.08		0.03
Total Expenses	28.93		26.34
Net Increases (Decreases)	\$ (2.54)	\$	(0.73)

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2008
(Unaudited)

<u>Component Units</u>				
		<u>2008</u>		<u>2007</u>
<u>Revenues</u>				
Total Tenant Revenues	\$	0.32	\$	0.35
Operating Subsidies		0.20		-
Investment Income		0.12		0.10
Other Revenues		0.10		0.09
Total Revenues		0.74		0.54
<u>Expenses</u>				
Administrative		0.19		0.19
Utilities		0.07		0.09
Maintenance		0.12		0.11
General and Interest Expenses		0.25		0.24
Depreciation		0.07		0.06
Total Expenses		0.70		0.69
Net Increases (Decreases)	\$	0.04	\$	(0.15)

Also, for a more fair and in depth look at financial issues, see the internal financial statements.

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

Tenant revenue increased slightly during 2008 in comparison to 2007. Operating subsidies increased while Capital Grants decreased.

Administrative expense increased by \$.70 million primarily due to an increase in compensated absence expense of \$.32 million. Utility expense decreased \$.07 million. Ordinary maintenance expense increased \$.86 million and protective services increased \$.12 million. General expenses increased \$.24 million primarily due to additional interest expense associated with the bond issue. Depreciation increased \$.65 million. The Authority continues to reduce natural gas expenses through a special rate negotiation initiative.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Year ended March 31, 2008
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year end, the Authority had \$70.88 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$1.34 million or 2% from the end of last year.

TABLE 4
Capital Assets at Year-End (net of Depreciation)
(in millions of dollars)

Stark Metropolitan Housing Authority			
	2008		2007
Land and Land Rights	\$ 15.67	\$	12.88
Buildings and Improvements	130.01		122.85
Equipment	4.11		4.19
Accumulated Depreciation	(83.98)		(78.71)
Construction in Progress	5.08		11.00
Total	\$ 70.89	\$	72.21
Component Units			
	2008		2007
Land and Land Rights	\$ 0.18	\$	0.17
Buildings	1.51		1.58
Equipment	0.05		0.05
Accumulated Depreciation	(0.26)		(0.20)
Total	\$ 1.48	\$	1.60

The following reconciliation summarizes the change in Capital Assets.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Year ended March 31, 2008
(Unaudited)

TABLE 5
Change in Capital Assets
(in millions of dollars)

	<u>SMHA</u>	<u>Component Unit</u>
Beginning Balance - March 31, 2007	\$ 72.21	\$ 1.60
Current Year Additions	3.95	0.02
Current Year Disposals	-	(0.07)
Current year Depreciation Expense	(5.27)	(0.07)
Ending Balance - March 31, 2008	\$ 70.89	\$ 1.48

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

Debt Outstanding

As of year-end, the Authority had \$12.89 million in debt (bonds, notes, etc.) outstanding compared to \$5.32 million last year, a \$7.57 million increase. The increase is the result of issuing \$7.62 million in bonds utilizing the Capital Fund Financing Program.

TABLE 5
Outstanding Debt
(in millions of dollars)

	<u>SMHA</u>	<u>Component Unit</u>
Beginning Balance - March 31, 2007	\$ 5.32	\$ 1.10
Current Year Debt Issued	7.92	-
Current Year Principal Payments	(0.35)	(0.04)
Ending Balance - March 31, 2008	\$ 12.89	\$ 1.06

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2008
(Unaudited)

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 Funds		
March 31, 2008		
	<i>Primary Government</i>	<i>Component Units</i>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,767,418	\$ 348,380
Restricted cash and cash equivalents	8,084,980	11,202
Investments	656,836	2,445
Receivables, net	1,184,706	178,957
Receivables from component units	894	-
Inventories, net	397,321	-
Prepaid expenses and other assets	515,382	24,275
Total current assets	13,607,537	565,259
Noncurrent assets		
Capital assets:		
Land	15,666,247	185,200
Building and equipment	134,124,419	1,558,319
Construction in Progress	5,075,243	-
Less accumulated depreciation	(83,974,675)	(262,512)
Capital assets, net	70,891,234	1,481,007
Other noncurrent assets	439,400	860,597
Total noncurrent assets	71,330,634	2,341,604
Total assets	\$ 84,938,171	\$ 2,906,863
LIABILITIES		
Current liabilities		
Accounts payable	\$ 325,233	\$ 48,778
Accrued liabilities	187,714	-
Payable to primary government	-	894
Intergovernmental payables	260,511	-
Tenant security deposits	394,328	11,202
Deferred revenue	223,601	2,687
Bonds, notes, and loans payable	1,278,606	41,160
Other current liabilities	29,554	175,633
Total current liabilities	2,699,547	280,354

The accompanying notes to the Financial Statements are an integral part of these statements.

STARK METROPOLITAN HOUSING AUTHORITY		
Statement of Net Assets (Continued)		
Proprietary Funds		
March 31, 2008		
	<i>Primary Government</i>	<i>Component Units</i>
Noncurrent liabilities		
Bonds, notes, and loans payable	11,600,255	1,024,386
Accrued compensated absences non-current	769,235	-
Noncurrent liabilities - other	-	1,066,260
<i>Total noncurrent liabilities</i>	<i>12,369,490</i>	<i>2,090,646</i>
Total liabilities	\$ 15,069,037	\$ 2,371,000
NET ASSETS		
Invested in capital assets, net of related debt	\$ 58,012,373	\$ 415,461
Restricted net assets	7,690,652	-
Unrestricted net assets	4,166,109	120,402
Total net assets	\$ 69,869,134	\$ 535,863

The accompanying notes to the Financial Statements are an integral part of these statements.

STARK METROPOLITAN HOUSING AUTHORITY		
Statement of Revenues, Expenses, and Changes in Fund Net Assets		
Proprietary Funds		
For the Year Ended March 31, 2008		
	<i>Primary Government</i>	<i>Component Units</i>
<i>OPERATING REVENUES</i>		
Tenant Revenue	5,031,194	322,185
Government operating grants	19,014,311	198,809
Other revenue	330,966	99,583
Total operating revenues	24,376,471	620,577
<i>OPERATING EXPENSES</i>		
Administrative	5,324,640	195,434
Tenant services	81,849	-
Utilities	3,243,596	74,258
Maintenance	5,211,527	115,589
Protective services	199,063	-
General	860,915	176,723
Housing assistance payment	8,360,843	-
Other operating expenses	81,296	-
Depreciation	5,273,657	65,019
Total operating expenses	28,637,386	627,023
Operating income (loss)	(4,260,915)	(6,446)
<i>NONOPERATING REVENUES (EXPENSES)</i>		
Interest and investment revenue	790,808	115,015
Interest expense	(294,102)	(70,627)
Total nonoperating revenues (expenses)	496,706	44,388
Income (loss) before contributions and transfers	(3,764,209)	37,942
Capital grants	1,226,187	-
Extraordinary items (gain/loss)	153	-
Change in net assets	(2,537,869)	37,942
Total net assets - beginning (restated)	72,407,003	497,921
Total net assets - ending	\$ 69,869,134	\$ 535,863

The accompanying notes to the Financial Statements are an integral part of these statements.

STARK METROPOLITAN HOUSING AUTHORITY		
Statement of Cash Flows		
Proprietary Funds		
For the Year Ended March 31, 2008		
	<i>Primary Government</i>	<i>Component Units</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating grants received	\$19,299,638	\$198,809
Tenant revenue received	5,067,561	314,974
Other revenue received	291,661	180,851
Housing assistance payments made	(8,360,843)	0
General and administrative expenses paid	(15,804,911)	(687,098)
Net cash provided (used) by operating activities	493,106	7,536
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grant funds received	1,226,187	0
Property and equipment purchased	(3,952,018)	(15,159)
Principal payment on debt	(353,743)	(39,525)
Interest payment on debt	(294,102)	(70,627)
Proceeds from debt issued	7,915,160	3,747
Net cash provided (used) by capital and related financing activities	4,541,484	(121,564)
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfers from investments	461,831	63,574
Interest received	790,808	115,015
Proceeds from sale of investments	757,774	0
Net cash provided (used) by investing activities	2,010,413	178,589
Net increase (decrease) in cash	7,045,003	64,561
Cash and cash equivalents - Beginning of year	3,807,395	295,021
Cash and cash equivalents - End of year	\$10,852,398	\$359,582

The accompanying notes to the Financial Statements are an integral part of these statements.

STARK METROPOLITAN HOUSING AUTHORITY		
Statement of Cash Flows (Continued)		
Proprietary Funds		
For the Year Ended March 31, 2008		
	<i>Enterprise Fund</i>	<i>Component Units</i>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	(\$4,260,915)	(\$6,446)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities		
- Depreciation	5,273,657	65,019
- (Increases) Decreases in Accounts Receivable	1,186,183	(90,120)
- (Increases) Decreases in Inventory	(49,654)	0
- (Increases) Decreases in Prepaid Assets	(89,163)	(709)
- (Increases) Decreases in Due from Component Unit	(894)	0
- Increases (Decreases) in Accounts Payable	(1,963,655)	36,184
- Increases (Decreases) in Accrued Wages and Taxes Payable	57,431	0
- Increases (Decreases) in Compensated Absences Payable	239,828	0
- Increases (Decreases) in Deferred Revenue	75,809	384
- Increases (Decreases) in Other Current Liabilities	(20,777)	0
- Increases (Decreases) in Tenant Security Deposits	9,996	(346)
- Increases (Decreases) in Other Non-Current Liabilities	0	2,676
- Increases (Decreases) in Payable to Government	35,260	0
- Prior Period Adjustment Affecting Cash Flows	0	894
Net cash provided by operating activities	<u>\$493,106</u>	<u>\$7,536</u>

The accompanying notes to the Financial Statements are an integral part of these statements.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

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 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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)

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

C. Reporting Entity (Continued)

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 Federal 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 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 multifamily 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.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)**

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

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:

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. Investment income earned in fiscal year 2008 totaled \$790,808 for the primary government and \$115,015 for the component unit.

H. Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)**

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

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.

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.

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.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)**

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 withdrawal 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 \$11,509,234 (including \$8,084,980 of unrestricted funds, \$656,836 of nonnegotiable certificates of deposit, and \$1,210 of petty cash).

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 \$202,306 were covered by Federal Depository Insurance, and deposits totaling \$11,363,555 were uninsured and collateralized with securities held by the financial institution's trust department or agent, but not in the Authority's name.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)

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

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.

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.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)**

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

B. Investments (Continued)

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:

	Cash and Cash Equivalent	Investments
Per Statement of Net Assets	\$10,852,398	\$656,836
Certificate of Deposits	656,836	(656,836)
Per GASB Statement No. 3	\$11,509,234	\$0

C. Component Unit

At year end, the carrying amount of the component units investments and deposits was \$362,027, 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: **RESTRICTED CASH**

Restricted cash balance as of March 31, 2008 represents cash on hand for the following:

	Primary Government	Component Unit
Tenant Security Deposit	\$394,328	\$11,202
Bond Proceeds to be used for Capital Improvement	7,690,652	0
Total Restricted Cash	\$8,084,980	\$11,202

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)

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:

	Deductible	Coverage Limits
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 coverage and no claims exceeded insurance coverage during the past three years.

NOTE 5: **CAPITAL ASSETS**

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

	Primary Government	Component Units	Total
<i>Capital Assets Not Depreciated:</i>			
Land	\$15,666,247	\$185,200	\$15,851,447
Construction in Progress	5,075,243	0	5,075,243
Total Capital Assets Not Depreciated	20,741,490	185,200	20,926,690
<i>Capital Assets Being Depreciated:</i>			
Building and Building Improvements	130,010,979	1,508,799	131,519,778
Furniture and Equipment Dwelling	4,113,440	49,520	4,162,960
Accumulated Depreciation	(83,974,675)	(262,512)	(84,237,187)
Total Capital Assets Being Depreciated	50,149,744	1,295,807	51,445,551
Total Capital Assets	\$70,891,234	\$1,481,007	\$72,372,241

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)

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

The following is a summary of changes in capital assets for the Primary Government::

	Balance 03/31/07	Adjust	Additions	Deletion	Balance 03/31/08
Capital Assets Not Being Depreciated:					
Land	\$12,881,649	\$0	\$2,784,598	\$0	\$15,666,247
Construction in Progress	11,003,259	(7,095,436)	1,167,420	0	5,075,243
Total Capital Assets Not Being Depreciated	23,884,908	(7,095,436)	3,952,018	0	20,741,490
Capital Assets Being Depreciated:					
Buildings	122,854,330	7,156,649	0	0	130,010,979
Furnt, Mach. and Equip	4,188,611	(61,213)	0	(13,958)	4,113,440
Total Capital Assets Being Depreciated	127,042,941	7,095,436	0	(13,958)	134,124,419
Accumulated Depreciation:					
Buildings	(78,344,717)	0	(5,257,576)	0	(83,602,293)
Furnt, Mach. and Equip -	(370,559)	0	(15,781)	13,958	(372,382)
Total Accumulated Depreciation	(78,715,276)	0	(5,273,357)	13,958	(83,974,675)
Total Capital Assets Being Depreciated, Net	48,327,665	7,095,436	(5,273,357)	0	50,149,744
Total Capital Assets, Net	\$72,212,573	\$0	(\$1,321,339)	\$0	\$70,891,234

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)

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

The following is a summary of changes in capital assets for the Component Unit::

	Balance 03/31/07	Adjust	Additions	Deletion	Balance 03/31/08
Capital Assets Not Being Depreciated:					
Land	\$171,399	\$0	\$13,801	\$0	\$185,200
Total Capital Assets Not Being Depreciated	171,399	0	13,801	0	185,200
Capital Assets Being Depreciated:					
Buildings	1,583,811	0	0	(75,012)	1,508,799
Furnt, Mach. and Equip	48,162	0	1,358	0	49,520
Total Capital Assets Being Depreciated	1,631,973	0	1,358	(75,012)	1,558,319
Accumulated Depreciation:					
Buildings	(155,751)	0	(59,062)	0	(214,390)
Furnt, Mach. and Equip -	(42,165)	0	(5,957)	423	(48,122)
Total Accumulated Depreciation	(197,916)	0	(65,019)	423	(262,512)
Total Capital Assets Being Depreciated, Net	1,434,057	0	(63,661)	(74,589)	1,295,807
Total Capital Assets, Net	\$1,605,456	\$0	(\$49,860)	(\$74,589)	\$1,481,007

NOTE 6: **DEFINED BENEFIT PENSION PLANS**

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)

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

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

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 9.5 percent of their annual covered salary to fund pension obligations; the percentage of contribution increased to 10 percent effective January 1, 2008. The 2007 employer pension contribution rate for Authority was 13.85 percent; effective January 1, 2008, the percentage increased to 14 percent of covered payroll. Contributions are authorized by state statute. The contribution rates are determined actuarially. Contributions to PERS for the years ended March 31, 2008, 2007, and 2006 \$586,156, \$345,926 and \$397,203 respectively. Ninety-three percent has been contributed for 2007. All required contributions for the two previous years have been paid.

NOTE 7: **POSTEMPLOYMENT BENEFITS**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2007 employer contribution rate (identified above) that was used to fund health care was 5.0 percent from January through June 30, 2007 and 6% from July 1 through March 31, 2008 of covered payroll, which amounted to \$253,923. The significant

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)

NOTE 7: **POSTEMPLOYMENT BENEFITS** (Continued)

actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2006. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2006 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 374,979. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2006 was \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

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

NOTE 8: **SCHEDULE OF EXPENDITURE OF FEDERAL AWARD**

The accompanying schedule of expenditure of federal award is a summary of the activity of the Authority's federal programs. This schedule has been prepared on the accrual basis of accounting.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)

NOTE 9: 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 was hired prior to April 1, 2008, the employee will be eligible to receive payment for 50 percent of their accumulated sick leave balance. This payment is reduced from 50 percent to 33.33 percent for employees hired on or after April 1, 2008. 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, 2008, based on the vesting method, an additional \$260,227 was accrued by the Authority for unused vacation and sick time. The current portion is \$74,333 and the long term portion is \$769,235.

NOTE 10: LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations during fiscal year 2008 are as follows:

	Balance 03/31/07	Additions	Deletions	Balance 03/31/08	Due within One Year
General Long-Term Obligations					
<i>Primary Government</i>					
Long-Term Debt:					
United National Bank and Trust – 07/09/99 4.44%	\$190,034	\$0	\$73,099	\$116,935	\$90,246
FirstMerit – Hillview Apts – 08/07/02 5.15%	298,671	0	49,858	248,813	52,318
FirstMerit – Cleveland Ave 11/22/06 5.02%	990,230	0	30,314	959,916	31,866
Fifth Third – Equipment Lease 05/22/06 7.57%	2,565,368	0	27,331	2,538,037	106,432
Local Initiative Support – Knights of Columbus Renovation 7%	1,273,141	300,000	173,141	1,400,000	350,000
Ohio Housing Finance Agency – Serial Bonds 07/17/07 3.9% - 4.67%	0	7,615,160	0	7,615,160	647,744
Total Long-Term Debt	5,317,444	7,915,160	353,743	12,878,861	1,278,606
Compensated Absences	583,340	314,161	53,933	843,568	74,333
Total Primary Government	\$5,900,784	\$8,229,321	\$407,676	\$13,722,429	\$1,352,939

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)

NOTE 10: **LONG-TERM OBLIGATIONS** (Continued)

	Balance 03/31/07	Additions	Deletions	Balance 03/31/08	Due within One Year
<i>Component Units</i>					
Freed Housing Corporation, (Various Notes)	\$643,236	\$3,747	\$9,559	\$637,424	\$10,200
Washington Area Housing Agency, LLC	458,088	0	29,966	428,122	31,421
Total Component Units	\$1,101,324	\$3,747	\$39,525	\$1,065,546	\$41,621

The Authority was obligated on the following notes as of March 31, 2008:

United National Bank and Trust

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. \$ 116,935

First Merit Bank

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 Hillview Apartments. 248,813

First Merit Bank

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 December 2014. The note is issued for purchase and improvements of property at 601 Cleveland Avenue North, 959,916

Fifth Third Bank

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. 2,538,037

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)

NOTE 10: **LONG-TERM OBLIGATIONS** (Continued)

Local Initiative Support Consortium

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.

1,400,000

Ohio Housing Finance Agency

Note dated July 17, 2007, due March 2027, funded by a bond issue in the principal amount of \$40,532,000, of which SMHA's share is \$7,620,000. Repayment of the loan funded through contributions from HUD under the Capital Fund Program and investment earnings. Payment made by reducing the Capital Fund Program subsidy due SMHA. Payments are due semi-annually beginning September 28, 2007, totaling approximately \$600,000 annually. Serial bonds issued with fixed interest rates between 3.90% and 4.67%. The bonds were issued to provide major renovations at three high-rise buildings: W.L. Hart Apartments, Plaza Apartments and Lincoln Apartments.

7,615,160

Total \$ 12,878,861

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

	Principal	Interest	Total
March 31, 2009	\$1,278,606	\$658,133	\$1,936,739
2010	820,082	602,004	1,422,086
2011	812,058	558,642	1,370,700
2012	832,376	523,764	1,356,140
2013	474,304	495,487	969,791
2014 - 2018	4,170,597	1,858,575	6,029,172
2019 - 2023	1,985,000	989,125	2,974,125
2024 - 2028	2,505,838	338,254	2,844,092
Total	\$12,878,861	\$6,023,984	\$18,902,845

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)

NOTE 10: **LONG-TERM OBLIGATIONS** (Continued)

The debt schedule for the component units is as follows:

Freed Housing:	
First Merit Bank - Line of Credit	\$150,000
First Merit Bank - Promissory Note - Principal Amount \$187,000, Interest Rate of 6.3%	171,506
First Merit Bank - Promissory Note - Principal Amount \$97,000, Interest Rate of 8.0%	88,340
First Merit Bank - Promissory Note - Principal Amount \$50,000, Interest Rate of 7.21%	45,334
First Merit Bank - Promissory Note - Principal Amount \$99,500 - Interest Rate of 7.1%	87,503
First Merit Bank - Promissory Note - Principal Amount \$50,000 - Interest Rate of 7.1%	44,769
First Merit Bank - Promissory Note - Principal Amount \$52,400 - Interest Rate of 7.68%	49,972
Washington Area Housing Agency LLC	<u>428,122</u>
Total	\$1,065,546

Amortization of the debt was not available.

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 2008:

State and Local	
Adjustment to Capital Assets	\$21,434
Low Rent Public Housing	
Equity transfer from Capital Funds for completed construction projects	\$2,427,760
Capital Fund	
Equity transfer to PHA for completed construction projects	(\$2,477,903)
Miscellaneous	
Other program adjustments	\$41,709

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)**

NOTE 12: **CHANGES IN FUND NET ASSETS** (Continued)

In addition, the Authority's component unit equity balance decreased by \$171,667 due to a change in grant revenue reported in 2007.

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

	<u>Freed Housing Corporation</u>	<u>Washington Area Housing LLC</u>	<u>Stark MHA Credit Union</u>	<u>Totals</u>
<u>Balance Sheet</u>				
Current Assets	\$ 250,097	\$ 60,424	\$ 254,738	\$ 565,259
Capital Assets	1,022,431	457,178	1,398	1,481,007
Other Assets	0	0	860,597	860,597
Current Liabilities	220,182	73,344	-13,172	280,354
Non-Current Liabilities	627,224	397,162	1,066,260	2,090,646
Net Assets	425,122	47,096	63,645	535,863
<u>Revenues Expenses and Change in Equity</u>				
Total Revenue	\$ 298,518	\$ 261,863	\$ 175,211	\$ 735,592
Total Expenses	<u>287,460</u>	<u>241,465</u>	<u>168,725</u>	<u>697,650</u>
Excess of Revenue Over Expenses	<u>\$11,058</u>	<u>\$20,398</u>	<u>\$6,486</u>	<u>\$37,942</u>

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
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 Rehab Single Room Occupancy	Low Rent Public Housing	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0001	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0002	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0004	Resident Opportunity and Supportive Services
111	Cash - Unrestricted	\$0	\$7,660	\$2,060	\$894	\$864	\$1,552,662	\$1,716	\$1,087	\$596	\$0
112	Cash - Restricted - Modernization and Development	\$0	\$0	\$0	\$0	\$0	\$7,690,652	\$0	\$0	\$0	\$0
114	Cash - Tenant Security Deposits	\$0	\$0	\$0	\$0	\$0	\$376,253	\$0	\$0	\$0	\$0
100	Total Cash	\$0	\$7,660	\$2,060	\$894	\$864	\$9,619,567	\$1,716	\$1,087	\$596	\$0
122	Accounts Receivable - HUD Other Projects	\$0	\$9,457	\$0	\$0	\$0	\$0	\$0	\$0	\$13,526	\$0
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$5,982	\$0	\$0	\$0	\$0	\$0	\$0
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$216,806	\$0	\$0	\$0	\$0
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$0	\$0	\$0	\$176,253	\$0	\$0	\$0	\$0
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0	-\$17,624	\$0	\$0	\$0	\$0
127	Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$0	\$0	\$516,906	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$1,489	\$0	\$0	\$16,763	\$881	\$0	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	-\$45	\$0	\$0	-\$1,677	-\$26	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$9,457	\$1,444	\$5,982	\$0	\$907,427	\$855	\$0	\$13,526	\$0
131	Investments - Unrestricted	\$0	\$118,973	\$20,782	\$55,779	\$65,868	\$0	\$7,172	\$0	\$0	\$0

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
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 Rehab Single Room Occupancy	Low Rent Public Housing	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0001	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0002	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0004	Resident Opportunity and Supportive Services
142	Prepaid Expenses and Other Assets	\$0	\$5,160	\$0	\$0	\$938	\$467,737	\$990	\$886	\$521	\$0
143	Inventories	\$0	\$0	\$0	\$0	\$0	\$409,609	\$0	\$0	\$0	\$0
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	-\$12,288	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$0	\$0	\$0	\$0	\$0	\$886,239	\$0	\$0	\$0	\$0
150	Total Current Assets	\$0	\$141,250	\$24,286	\$62,655	\$67,670	\$12,278,291	\$10,733	\$1,973	\$14,643	\$0
161	Land	\$0	\$0	\$0	\$0	\$0	\$15,646,647	\$0	\$0	\$0	\$0
162	Buildings	\$0	\$501,852	\$0	\$0	\$0	\$126,484,048	\$0	\$0	\$0	\$0
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$0	\$0	\$3,914,922	\$0	\$0	\$0	\$0
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$0	\$0	\$0	\$64,047	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	\$0	-\$12,546	\$0	\$0	\$0	-\$83,335,673	\$0	\$0	\$0	\$0
167	Construction In Progress	\$0	\$1,197	\$0	\$0	\$0	\$604,325	\$0	\$0	\$0	\$0
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$490,503	\$0	\$0	\$0	\$63,378,316	\$0	\$0	\$0	\$0
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$0	\$0	\$439,400	\$0	\$0	\$0	\$0
174	Other Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
180	Total Non-Current Assets	\$0	\$490,503	\$0	\$0	\$0	\$63,817,716	\$0	\$0	\$0	\$0
190	Total Assets	\$0	\$631,753	\$24,286	\$62,655	\$67,670	\$76,096,007	\$10,733	\$1,973	\$14,643	\$0

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
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 Rehab Single Room Occupancy	Low Rent Public Housing	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0001	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0002	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0004	Resident Opportunity and Supportive Services
312	Accounts Payable <= 90 Days	\$0	\$0	\$0	\$0	\$0	\$325,233	\$0	\$0	\$0	\$0
321	Accrued Wage/Payroll Taxes Payable	\$0	\$1,444	\$467	\$102	\$263	\$99,552	\$241	\$212	\$145	\$0
322	Accrued Compensated Absences - Current Portion	\$0	\$5,023	\$1,626	\$357	\$914	\$26,216	\$837	\$736	\$505	\$0
331	Accounts Payable - HUD PHA Programs	\$0	\$46,053	\$0	\$0	\$15,096	\$0	\$32,825	\$23,398	\$0	\$0
333	Accounts Payable - Other Government	\$0	\$0	\$1,489	\$0	\$0	\$141,209	\$441	\$0	\$0	\$0
341	Tenant Security Deposits	\$0	\$0	\$0	\$0	\$0	\$376,253	\$0	\$0	\$0	\$0
342	Deferred Revenues	\$0	\$0	\$0	\$0	\$0	\$209,980	\$414	\$0	\$0	\$0
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$1,227,740	\$0	\$0	\$0	\$0
345	Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$545	\$0	\$0	\$0	\$0
347	Interprogram Due To	\$0	\$16	\$4	\$1	\$14	\$0	\$13	\$41,459	\$323,266	\$0
310	Total Current Liabilities	\$0	\$52,536	\$3,586	\$460	\$16,287	\$2,406,728	\$34,771	\$65,805	\$323,916	\$0
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$11,343,726	\$0	\$0	\$0	\$0
354	Accrued Compensated Absences - Non Current	\$0	\$4,187	\$1,356	\$297	\$762	\$722,592	\$698	\$614	\$421	\$0
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
350	Total Noncurrent Liabilities	\$0	\$4,187	\$1,356	\$297	\$762	\$12,066,318	\$698	\$614	\$421	\$0

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
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 Rehab Single Room Occupancy	Low Rent Public Housing	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0001	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0002	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0004	Resident Opportunity and Supportive Services
300	Total Liabilities	\$0	\$56,723	\$4,942	\$757	\$17,049	\$14,473,046	\$35,469	\$66,419	\$324,337	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$490,503	\$0	\$0	\$0	\$50,806,850	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$7,690,652	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$0	\$84,527	\$19,344	\$61,898	\$50,621	\$3,125,459	-\$24,736	-\$64,446	-\$309,694	\$0
513	Total Equity/Net Assets	\$0	\$575,030	\$19,344	\$61,898	\$50,621	\$61,622,961	-\$24,736	-\$64,446	-\$309,694	\$0
600	Total Liabilities and Equity/Net Assets	\$0	\$631,753	\$24,286	\$62,655	\$67,670	\$76,096,007	\$10,733	\$1,973	\$14,643	\$0
703	Net Tenant Rental Revenue	\$0	\$0	\$0	\$0	\$0	\$4,862,055	\$0	\$0	\$0	\$0
704	Tenant Revenue - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
705	Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$4,862,055	\$0	\$0	\$0	\$0
706	HUD PHA Operating Grants	\$9,404	\$1,103,148	\$336,238	\$103,711	\$87,934	\$7,870,321	\$171,884	\$106,228	\$80,413	\$209,662
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$22,936	\$0	\$0	\$0	\$0
711	Investment Income - Unrestricted	\$0	\$4,660	\$1,253	\$544	\$526	\$124,443	\$1,044	\$1,585	\$362	\$0
712	Mortgage Interest Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$336	\$0	\$788	\$662	\$359	\$0
715	Other Revenue	\$0	\$0	\$0	\$0	\$0	\$27,006	\$0	\$0	\$0	\$0
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$605,071	\$0	\$0	\$0	\$0
700	Total Revenue	\$9,404	\$1,107,808	\$337,491	\$104,255	\$88,796	\$13,511,832	\$173,716	\$108,475	\$81,134	\$209,662

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
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 Rehab Single Room Occupancy	Low Rent Public Housing	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0001	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0002	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0004	Resident Opportunity and Supportive Services
911	Administrative Salaries	\$25,742	\$34,880	\$13,278	\$5,413	\$8,867	\$1,438,155	\$9,656	\$8,726	\$5,173	\$79,198
912	Auditing Fees	\$0	\$500	\$9	\$5	\$250	\$11,584	\$150	\$200	\$150	\$0
913	Outside Management Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
914	Compensated Absences	\$0	\$0	\$0	\$0	\$0	\$320,428	\$0	\$0	\$0	\$0
915	Employee Benefit Contributions - Administrative	\$0	\$22,360	\$11,212	\$3,716	\$6,796	\$792,956	\$7,263	\$6,329	\$3,562	\$50,286
916	Other Operating - Administrative	\$0	\$4,523	\$5,557	\$319	\$730	\$969,984	\$1,217	\$837	\$581	\$92,549
921	Tenant Services - Salaries	\$0	\$0	\$0	\$0	\$0	\$25,605	\$0	\$0	\$0	\$0
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$0	\$0	\$18,459	\$0	\$0	\$0	\$0
924	Tenant Services - Other	\$0	\$0	\$0	\$0	\$0	\$37,785	\$0	\$0	\$0	\$0
931	Water	\$0	\$0	\$0	\$0	\$0	\$378,607	\$0	\$0	\$0	\$0
932	Electricity	\$0	\$0	\$0	\$0	\$0	\$808,390	\$0	\$0	\$0	\$0
933	Gas	\$0	\$0	\$0	\$0	\$0	\$1,635,308	\$0	\$0	\$0	\$0
938	Other Utilities Expense	\$0	\$0	\$0	\$0	\$0	\$365,369	\$0	\$0	\$0	\$0
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$0	\$0	\$0	\$1,597,771	\$0	\$0	\$0	\$0
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$0	\$0	\$0	\$432,034	\$0	\$0	\$0	\$0
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$0	\$0	\$0	\$0	\$2,155,631	\$0	\$0	\$0	\$0
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$0	\$0	\$0	\$908,353	\$0	\$0	\$0	\$0
951	Protective Services - Labor	\$0	\$0	\$0	\$0	\$0	\$124,852	\$0	\$0	\$0	\$0

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
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 Rehab Single Room Occupancy	Low Rent Public Housing	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0001	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0002	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0004	Resident Opportunity and Supportive Services
953	Protective Services - Other	\$0	\$0	\$0	\$0	\$0	\$14,898	\$0	\$0	\$0	\$0
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$0	\$0	\$0	\$59,313	\$0	\$0	\$0	\$0
961	Insurance Premiums	\$0	\$5,878	\$102	\$51	\$1,005	\$407,551	\$1,039	\$938	\$552	\$0
962	Other General Expenses	\$0	\$0	\$0	\$0	\$0	\$29,192	\$0	\$0	\$0	\$0
963	Payments in Lieu of Taxes	\$0	\$0	\$0	\$0	\$0	\$141,209	\$0	\$0	\$0	\$0
964	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$0	\$0	\$135,630	\$0	\$0	\$0	\$0
965	Bad Debt - Mortgages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
966	Bad Debt - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
967	Interest Expense	\$0	\$0	\$0	\$0	\$0	\$279,656	\$0	\$0	\$0	\$0
968	Severance Expense	\$0	\$0	\$0	\$0	\$0	\$49,577	\$0	\$0	\$0	\$0
969	Total Operating Expenses	\$25,742	\$68,141	\$30,158	\$9,504	\$17,648	\$13,138,297	\$19,325	\$17,030	\$10,018	\$222,033
970	Excess Operating Revenue over Operating Expenses	-\$16,338	\$1,039,667	\$307,333	\$94,751	\$71,148	\$373,535	\$154,391	\$91,445	\$71,116	-\$12,371
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$0	\$0	\$0	\$81,296	\$0	\$0	\$0	\$0
973	Housing Assistance Payments	\$0	\$1,028,476	\$304,077	\$90,516	\$69,393	\$0	\$152,312	\$88,717	\$70,112	\$0
974	Depreciation Expense	\$0	\$12,546	\$0	\$0	\$0	\$5,135,798	\$0	\$0	\$0	\$0
900	Total Expenses	\$25,742	\$1,109,163	\$334,235	\$100,020	\$87,041	\$18,355,391	\$171,637	\$105,747	\$80,130	\$222,033
1001	Operating Transfers In	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$0	\$0	\$0
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
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 Rehab Single Room Occupancy	Low Rent Public Housing	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0001	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0002	Lower Income Housing Assistance Prog Sec 8 Mod Reh OH018MR0004	Resident Opportunity and Supportive Services
1007	Extraordinary Items (net gain/loss)	\$0	\$0	\$0	\$0	\$0	-\$757,774	\$0	\$0	\$0	\$0
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	-\$257,774	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$16,338	-\$1,355	\$3,256	\$4,235	\$1,755	-\$5,101,333	\$2,079	\$2,728	\$1,004	-\$12,371
1103	Beginning Equity	\$0	\$563,385	\$16,088	\$57,663	\$48,866	\$64,296,534	-\$26,815	-\$67,174	-\$310,698	\$0
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$16,338	\$13,000	\$0	\$0	\$0	\$2,427,760	\$0	\$0	\$0	\$12,371
	Ending Equity	\$0	\$575,030	\$19,344	\$61,898	\$50,621	\$61,622,961	-\$24,736	-\$64,446	-\$309,694	\$0
1120	Unit Months Available	0	2,871	1,176	300	432	30,744	456	408	240	0
1121	Number of Unit Months Leased	0	2,845	1,004	182	391	28,444	403	327	226	0
1117	Administrative Fee Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1118	Housing Assistance Payments Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
MARCH 31, 2007**

Line Item No.	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
111	Cash - Unrestricted	\$59,517	\$275,322	\$865,040	\$348,380	\$3,115,909
112	Cash - Restricted - Modernization and Development	\$0	\$0	\$0	\$0	\$7,690,764
114	Cash - Tenant Security Deposits	\$0	\$0	\$18,075	\$11,202	\$405,644
100	Total Cash	\$59,517	\$275,322	\$883,115	\$359,582	\$11,212,317
122	Accounts Receivable - HUD Other Projects	\$20,796	\$53,199	\$0	\$0	\$97,100
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$6,106
125	Accounts Receivable - Miscellaneous	\$7,429	\$0	\$97,371	\$779	\$322,510
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$59,965	\$32,955	\$269,299
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	-\$5,997	-\$3,294	-\$26,789
127	Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$148,517	\$665,550
128	Fraud Recovery	\$13,662	\$0	\$0	\$0	\$32,923
128.1	Allowance for Doubtful Accounts - Fraud	-\$410	\$0	\$0	\$0	-\$2,030
120	Total Receivables, net of allowances for doubtful accounts	\$41,477	\$53,199	\$151,339	\$178,957	\$1,364,669
131	Investments - Unrestricted	\$135,262	\$0	\$253,000	\$2,445	\$659,412
142	Prepaid Expenses and Other Assets	\$39,150	\$0	\$0	\$24,275	\$539,799
143	Inventories	\$0	\$0	\$0	\$0	\$409,752
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	-\$12,145
144	Interprogram Due From	\$364,706	\$0	\$0	\$21,359	\$1,272,448
150	Total Current Assets	\$640,112	\$328,521	\$1,287,454	\$586,618	\$15,446,252

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
MARCH 31, 2007**

Line Item No.	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
161	Land	\$0	\$0	\$19,600	\$185,200	\$15,851,608
162	Buildings	\$150,000	\$0	\$2,875,079	\$1,508,799	\$131,519,940
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$10,675	\$3,925,760
164	Furniture, Equipment & Machinery - Administration	\$61,599	\$0	\$72,872	\$38,845	\$237,527
166	Accumulated Depreciation	-\$97,776	\$0	-\$528,680	-\$262,512	-\$84,237,021
167	Construction In Progress	\$0	\$4,233,020	\$236,701	\$0	\$5,075,410
160	Total Fixed Assets, Net of Accumulated Depreciation	\$113,823	\$4,233,020	\$2,675,572	\$1,481,007	\$72,373,224
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$841,599	\$1,281,170
174	Other Assets	\$0	\$0	\$0	\$18,998	\$19,172
180	Total Non-Current Assets	\$113,823	\$4,233,020	\$2,675,572	\$2,341,604	\$73,673,566
190	Total Assets	\$753,935	\$4,561,541	\$3,963,026	\$2,928,222	\$89,119,818
312	Accounts Payable <= 90 Days	\$0	\$0	\$0	\$48,778	\$374,323
321	Accrued Wage/Payroll Taxes Payable	\$10,955	\$0	\$0	\$0	\$113,702
322	Accrued Compensated Absences - Current Portion	\$38,119	\$0	\$0	\$0	\$74,655
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$117,703
333	Accounts Payable - Other Government	\$0	\$0	\$0	\$0	\$143,472
341	Tenant Security Deposits	\$0	\$0	\$18,075	\$11,202	\$405,871
342	Deferred Revenues	\$13,207	\$0	\$0	\$2,687	\$226,630
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$50,866	\$41,160	\$1,320,109

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
MARCH 31, 2007**

Line Item No.	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
345	Other Current Liabilities	\$5,758	\$0	\$23,251	\$175,633	\$205,532
347	Interprogram Due To	\$729	\$328,521	\$556,028	\$22,253	\$1,272,651
310	Total Current Liabilities	\$68,768	\$328,521	\$648,220	\$301,713	\$4,254,648
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$256,529	\$1,024,386	\$12,624,992
354	Accrued Compensated Absences - Non Current	\$31,773	\$0	\$6,535	\$0	\$769,589
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$1,066,260	\$1,066,613
350	Total Noncurrent Liabilities	\$31,773	\$0	\$263,064	\$2,090,646	\$14,461,194
300	Total Liabilities	\$100,541	\$328,521	\$911,284	\$2,392,359	\$18,715,842
508.1	Invested in Capital Assets, Net of Related Debt	\$113,823	\$4,233,020	\$2,368,177	\$415,461	\$58,428,342
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$7,691,163
512.1	Unrestricted Net Assets	\$539,571	\$0	\$683,565	\$120,402	\$4,287,023
513	Total Equity/Net Assets	\$653,394	\$4,233,020	\$3,051,742	\$535,863	\$70,406,528
600	Total Liabilities and Equity/Net Assets	\$753,935	\$4,561,541	\$3,963,026	\$2,928,222	\$89,122,370
703	Net Tenant Rental Revenue	\$0	\$0	\$169,139	\$117,741	\$5,149,638
704	Tenant Revenue - Other	\$0	\$0	\$0	\$204,444	\$205,148
705	Total Tenant Revenue	\$0	\$0	\$169,139	\$322,185	\$5,354,786
706	HUD PHA Operating Grants	\$7,148,444	\$926,674	\$0	\$0	\$18,154,767
706.1	Capital Grants	\$0	\$1,226,187	\$0	\$0	\$1,226,893

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
MARCH 31, 2007**

Line Item No.	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
708	Other Government Grants	\$0	\$0	\$837,314	\$198,809	\$1,059,767
711	Investment Income - Unrestricted	\$36,211	\$0	\$15,109	\$1,343	\$187,791
712	Mortgage Interest Income	\$0	\$0	\$0	\$113,672	\$114,384
714	Fraud Recovery	\$19,989	\$0	\$0	\$0	\$22,848
715	Other Revenue	\$0	\$0	\$281,826	\$99,583	\$409,130
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$605,791
700	Total Revenue	\$7,204,644	\$2,152,861	\$1,303,388	\$735,592	\$27,136,157
911	Administrative Salaries	\$324,845	\$115,580	\$181,399	\$91,151	\$2,342,974
912	Auditing Fees	\$4,025	\$1,000	\$0	\$10,850	\$29,635
913	Outside Management Fees	\$0	\$0	\$12,644	\$21,596	\$35,153
914	Compensated Absences	\$0	\$0	\$484	\$0	\$321,826
915	Employee Benefit Contributions - Administrative	\$214,540	\$140,427	\$90,144	\$0	\$1,350,506
916	Other Operating - Administrative	\$108,818	\$169,668	\$17,925	\$71,837	\$1,445,461
921	Tenant Services - Salaries	\$0	\$0	\$0	\$0	\$26,526
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$0	\$19,382
924	Tenant Services - Other	\$0	\$0	\$0	\$0	\$38,709
931	Water	\$0	\$0	\$4,460	\$6,673	\$390,671
932	Electricity	\$0	\$0	\$15,676	\$24,037	\$849,035
933	Gas	\$0	\$0	\$31,192	\$33,867	\$1,701,300
938	Other Utilities Expense	\$0	\$0	\$4,594	\$9,681	\$380,582
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$0	\$0	\$1,598,712
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$7,677	\$76,779	\$517,432
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$0	\$110,061	\$38,810	\$2,305,445

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
MARCH 31, 2007**

Line Item No.	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$0	\$0	\$909,298
951	Protective Services - Labor	\$0	\$0	\$0	\$0	\$125,803
953	Protective Services - Other	\$0	\$0	\$0	\$0	\$15,851
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$0	\$0	\$60,268
961	Insurance Premiums	\$42,247	\$0	\$8,946	\$21,045	\$490,315
962	Other General Expenses	\$0	\$0	\$0	\$63,819	\$93,973
963	Payments in Lieu of Taxes	\$0	\$0	\$21,897	\$0	\$164,069
964	Bad Debt - Tenant Rents	\$0	\$0	\$15,101	\$0	\$151,695
965	Bad Debt - Mortgages	\$0	\$0	\$0	\$84,500	\$85,465
966	Bad Debt - Other	\$0	\$0	\$0	\$7,359	\$8,325
967	Interest Expense	\$0	\$0	\$14,446	\$70,627	\$365,696
968	Severance Expense	\$0	\$0	\$0	\$0	\$50,545
969	Total Operating Expenses	\$694,475	\$426,675	\$536,646	\$632,631	\$15,874,652
970	Excess Operating Revenue over Operating Expenses	\$6,510,169	\$1,726,186	\$766,742	\$102,961	\$11,261,505
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$0	\$0	\$82,268
973	Housing Assistance Payments	\$6,557,240	\$0	\$0	\$0	\$8,361,816
974	Depreciation Expense	\$4,240	\$0	\$121,073	\$65,019	\$5,339,650
900	Total Expenses	\$7,255,955	\$426,675	\$657,719	\$697,650	\$29,658,386
1001	Operating Transfers In	\$0	\$0	\$0	\$0	\$501,001
1002	Operating Transfers Out	\$0	-\$500,000	\$0	\$0	-\$498,998
1007	Extraordinary Items (net gain/loss)	\$0	\$0	\$757,927	\$0	\$1,160

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
MARCH 31, 2007**

Line Item No.	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
1010	Total Other Financing Sources (Uses)	\$0	-\$500,000	\$757,927	\$0	\$3,163
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$51,311	\$1,226,186	\$1,403,596	\$37,942	-\$2,519,066
1103	Beginning Equity	\$704,705	\$5,484,737	\$1,626,712	\$669,588	\$73,064,694
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	-	\$21,434	-\$171,667	-\$157,563
	Ending Equity	\$653,394	\$4,233,020	\$3,051,742	\$535,863	\$70,388,065
1120	Unit Months Available	18,024	0	672	620	55,943
1121	Number of Unit Months Leased	18,138	0	513	584	53,057
1117	Administrative Fee Equity	\$ 729,719	\$ -	\$ -	\$ -	\$ 730,836
1118	Housing Assistance Payments Equity	\$ (76,325)	\$ -	\$ -	\$ -	\$ (75,207)

Stark Metropolitan Housing Authority
Schedule of Expenditure of Federal Award
For the Year Ended March 31, 2008

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development		
Direct Program		
Section 8 Project Base Cluster:		
Section 8 New Construction Program	14.182	1,103,148
Section 8 Moderate Rehab. Single Room Occupancy	14.249	87,934
Section 8 Moderate Rehab	14.856	<u>358,525</u>
Total Section 8 Project Base Cluster Programs		1,549,607
Housing Counseling Assistance Program	14.169	9,404
Shelter Plus Care Program	14.238	336,238
Low Rent Public Housing Program	14.850	7,870,321
Resident Opportunity and Supportive Services	14.870	209,662
Housing Choice Voucher Program	14.871	7,148,444
Public Housing Capital Fund Program	14.872	<u>2,152,861</u>
Total Direct Awards		<u>19,276,537</u>
Passed Through Stark County		
HOME Investment Partnership Program	14.239	<u>103,711</u>
Total Expenditure of Federal Award		<u>\$19,380,248</u>



6548 Royalton Road, Suite 104
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@salcpa.com

**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

I have audited the 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, 2008, which collectively comprise the Stark Metropolitan Housing Authority basic financial statements and have issued my report thereon dated August 15, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. I did not audit the financial statements of the component units of the Stark Metropolitan Housing Authority, which statements reflect total assets of 3 percent of the total assets as of March 31, 2008 and total operating revenues constituting less than 3 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 my audit, I considered Stark Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

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

that there is more than a remote likelihood that a misstatement of the authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control.

I consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2008-SMHA-1 and 2008-SMHA-2.

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

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

Compliance and Other Matters

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

Stark Metropolitan Housing Authority response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Stark Metropolitan Housing Authority response and, accordingly, I express no opinion on it.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Salvatore Consiglio, CPA, Inc.

August 15, 2008



6548 Royalton Road, Suite 104
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@salcpa.com

**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

Compliance

I have audited the compliance of the Stark Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2008. Stark Metropolitan Housing Authority, Ohio major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Stark Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Stark Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Stark Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008. However, the result of my audit procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-SMHA-3.

Internal Control Over Compliance

The management of Stark Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Stark Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Stark Metropolitan Housing Authority, Ohio response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Stark Metropolitan Housing Authority, Ohio response and, accordingly, I express no opinion on it.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Salvatore Consiglio, CPA, Inc.

August 15, 2008

Stark Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 March 31, 2008

1. SUMMARY OF AUDITOR'S RESULTS
--

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any materials internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA # 14.850 Low Rent Public Housing Program
Dollar Threshold: Type A/B Programs	Type A: > \$581,407 Type B: All Others
Low Risk Auditee?	Yes

Stark Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 March 31, 2008

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

FINDING NUMBER	2008-SMHA-1
----------------	-------------

Significant Deficiency – Financial Statements

Sound financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During the current fiscal year the Authority had to make the following audit adjustments:

1. Capital funds drawn for operation of \$500,000 were reported as Other Administration Expense in the CFP Program. A reclassification adjustment was necessary to record this as a “Transfer Out” in the CFP Program and a “Transfer In” in the Low Rent Public Housing Program. This adjustment has no effect on the net asset of the agency; the adjustment is only for proper presentation purpose.
2. The Capital Fund Program financial statements reflected \$534,420 as Other Income. Audit procedures revealed that this amount was money requested from fiscal agent from the bond proceeds to cover cost for the various public housing buildings capital improvement. Therefore, the funds received were not revenue; it was a transfer from one asset account to another.
3. The Capital Fund Program reported an asset of \$7,085,581. It was explained that this asset represented the capital funds from the bond issuance. After further analysis it was determined that the asset should be reported as cash held with fiscal agent not “other Asset”. Also, it was determined that the bond proceeds and the liability should be reported in the Low Rent Public Housing Program and not the Capital Fund Program. Therefore, adjustment was needed to properly record the asset and liability in the correct program.
4. An entry was posted in the financial statements as of \$757,777 directly in the Fund Equity Account. This amount represented the receivable portion of the Homeownership Program that had expired during the year. By posting the entry directly to Fund Equity, is resulted in the financial statements to reflect a “Prior Period Adjustment” in order to balance. Since this amount represented the current year portion that expired, it should not have been reported in the Fund Equity Account (Prior Period Adjustment). Therefore adjustment was necessary to properly reflect the current year activities.

In addition, several corrections were needed in the notes to the financial statements.

Stark Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
March 31, 2008

Recommendation:

To ensure the housing authority financial statements and notes to the statements are complete and accurate, the PHA should adopt policies and procedures, including a final review of the statements and notes, to identify and correct errors and omissions.

Corrective Action Plan:

A final review of the financial statement will be performed. The Finance Director will be responsible to ascertain that financial statements are complete and accurate. These procedures will be implemented by March 31, 2009.

FINDING NUMBER	2008-SMHA-2
----------------	-------------

Significant Deficiency – Policies and Procedures

As part of my audit, I requested certain policies and procedures for review. However, it was noted that the PHA did not have a formal written capitalization policy that detail how capital assets are to be recorded and depreciated over their useful life. This can result in certain transactions to not be consistently treated in the accounting records which will lead in to errors in financial reporting.

Recommendation:

To ensure consistent treatment of all capital purchases, a formal capitalization policy should be adopted.

Corrective Action Plan:

The PHA will prepare a capitalization policy. The Finance Director will be responsible to implement the policy by March 31, 2009.

Stark Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
March 31, 2008

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

REPORTABLE NONCOMPLIANCE

FINDING NUMBER	2008-SMHA-3
----------------	-------------

Compliance Finding - Supporting Documentation

U.S. Department of HUD

Low Rent Public Housing (CFDA # 14.850)

24 CFR 982.158 requires that the PHA maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

24 CFR 982.516 requires that the PHA performs an annual reexamination for each participant family at least every 12 months and a determination of adjusted family income.

Audit procedures over 73 PH tenant files revealed several errors:

- 8 files did not document that the annual recertification were within the 12 month period.
- 4 files did not document proper income verification (i.e. no EIV documentation, no child support, or wage verification).
- 1 file did not contain a printed copy of the form HUD-50058.
- 1 file documented that the tenant selected to pay rent based on income. However, the flat rent amount was lower and the tenant was paying rent amount based on flat rent. This was a clerical error.

Recommendation:

The PHA must assure that a proper system is in place to review tenant files and that the files include all required documentation.

Corrective Action Plan:

A proper system for QA files will be implemented. The Operation Manager will be responsible to ascertain that files are properly reviewed. These procedures will be implemented by March 31, 2009.

Stark Metropolitan Housing Authority
Schedule of Prior Audit Findings
March 31, 2008

The audit report for the fiscal year ending March 31, 2007 contained no audit finding.



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 3, 2009