

STARK METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED MARCH 31, 2004



**Auditor of State
Betty Montgomery**

Board of Commissioners
Stark Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Stark Metropolitan Housing Authority, Stark County, prepared by James G. Zupka, CPA, Inc. for the audit period April 1, 2003 through March 31, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 28, 2004

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STARK METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2004

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

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stark Metropolitan Housing Authority
Canton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of Stark Metropolitan Housing Authority (SMHA) as of March 31, 2004 and for the year then ended, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the Stark Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the component units of Stark Metropolitan Housing Authority (see Note 1C for a description), which statements reflect total assets constituting less than three percent of the total assets at March 31, 2004 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 us, and our opinion, insofar as it relates to the amounts included for the component units, is based solely on the report of such other auditors.

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

In our opinion, based on our audit and the report of other auditors, such basic financial statements present fairly, in all material respects, the financial position of the Stark Metropolitan Housing Authority as of March 31, 2004, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of April 1, 2003. The implementation resulted in a change to the Authority's format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2004 on our consideration of Stark Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The combining Financial Data Schedules (FDS) are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

October 28, 2004

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2004
(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, 2004 activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 12).

FINANCIAL HIGHLIGHTS

- The Authority's net assets decreased by \$2.8 million (or 3.5%) during 2004, due to a loss in Results from Operations of (\$5.5) million and Capital Grants of (\$2.7 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 \$79.9 million and \$77.1 million for 2003 and 2004 respectively.
- Revenues increased by \$1.9 million (or 7.3%) during 2004, and were \$26.1 million and \$28.0 million for 2003 and 2004 respectively.
- The total expenses of all Authority programs increased by \$2.1 million (or 7.3%). Total expenses were \$28.7 million and \$30.8 million for 2003 and 2004 respectively.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2004
(Unaudited)

USING THIS ANNUAL REPORT

The report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information".

<p>MD & A</p> <p>- Management Discussion and Analysis - 3 - 11</p>
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<p>Basic Financial Statements</p> <p>- Authority-Wide Financial Statements - pgs 12 - 14</p> <p>- Notes to Financial Statements - pgs 15 - 30</p>
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<p>Other Required Supplementary Information</p> <p>- Required Supplementary Information pgs 31 - 34 (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 component units. This perspective (Authority-wide and Major Fund) allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2004
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority-wide financial statements (see pages 12 - 14) are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

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

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

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

The focus of the Statement of 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, 2004
(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 funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

THE AUTHORITY'S FUNDS

Business Type Funds

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

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidized the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

Other Programs - In addition to the programs above, the Authority also maintains the following programs:

Economic Development and Supportive Services Program - a grant program funded by the Department of Housing and Urban Development that encourages economic self-sufficiency among the Authority's resident population.

Drug Elimination Program - a grant program funded by the Department of Housing and Urban Development that is intended to reduce the use of illegal drugs within the Authority's properties.

STARK METROPOLITAN HOUSING AUTHORITY
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for the Year ended March 31, 2004
(Unaudited)

Other Non-Major Funds (Continued)

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

ROSS - a grant program funded by the Department of Housing and Urban Development to assist residents in the process of moving from welfare to work.

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

AUTHORITY-WIDE STATEMENTS

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

Table 1 - Statement of Net Assets

	2004 (in Millions) of Dollars	2003 (In Millions) of Dollars
Current and Other Assets	\$ 8.87	\$ 9.93
Capital Assets	73.25	75.17
Notes/Mortgages	<u>2.20</u>	<u>2.14</u>
Total Assets	<u>84.32</u>	<u>87.24</u>
Current Liabilities	3.58	4.71
Long-Term Liabilities	<u>3.62</u>	<u>2.64</u>
Total Liabilities	<u>7.20</u>	<u>7.35</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	70.63	72.47
Unrestricted	<u>6.49</u>	<u>7.42</u>
Total Net Assets	<u>77.12</u>	<u>79.89</u>
Totals	<u>\$ 84.32</u>	<u>\$ 87.24</u>

For more detailed information see page 12 for the Statement of Net Assets.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2004
(Unaudited)

Major Factors Affecting The Statement of Net Assets

During 2004, current and other assets decreased by \$1.1 million, and current liabilities were decreased by \$1.1 million. The current and other assets, primarily cash and investments, increased in anticipation of payment of the current liabilities.

Capital assets also changed, decreasing from \$74.96 million to \$73.25 million. The \$1.71 million decrease may be attributed primarily to a combination of net acquisitions (\$3.23 million), less current year depreciation and amortization (\$4.94) million. For more detail see "Capital Assets and Debt Administration" on page 10.

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

Table 2 - Change of Unrestricted Net Assets

	Millions of Dollars
Unrestricted Net Assets 03/31/03	\$ 7.42
Results of Operations	(2.77)
Adjustments:	
Depreciation (1)	4.94
Adjusted Results from Operations	2.17
Capital Expenditures Net of Debt Payments (2)	(3.10)
Unrestricted Net Assets	\$ 6.49

(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.

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

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2004
(Unaudited)

Statement of Revenues, Expenses and Changes in Net Assets

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

Table 3 - Statement of Revenues, Expenses and Changes in Net Assets

	2004 (Millions of Dollars)	2003 (Millions of Dollars)
Revenues		
Tenant Revenue - Rents and Other	\$ 4.39	\$ 4.45
Operating Subsidies and Grants	19.96	19.91
Capital Grants	2.78	.96
Investment Income	.07	.09
Other Revenues	.83	.69
Total Revenues	<u>28.03</u>	<u>26.10</u>
Expenses		
Administrative	7.80	6.91
Tenant Services	.57	.67
Utilities	2.85	2.64
Maintenance	4.84	4.66
Protective Services	.53	.13
General	1.02	.75
Housing Assistance Payments	8.21	8.24
Depreciation	4.94	4.63
Total Expenses	<u>30.76</u>	<u>28.63</u>
Net Increase (Decrease)	<u>\$ (2.73)</u>	<u>\$ (2.53)</u>

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

Tenant revenue was stable during 2004 in comparison to 2003. Operating subsidies remained constant, while Grants and Capital Grants increased. The increase was due to two major factors: **(1)** the Authority has been engaging in a high level of Capital Improvement activity, which has resulted in increased Grant Revenues, and **(2)** the Authority has been aggressively pursuing additional Operating Subsidies, including subsidies to assist in paying for vacancy losses associated with the various Capital Improvement programs.

Utility expense increased \$.2 million (mostly natural gas expense). Ordinary maintenance expense increased \$.2 million (primarily benefit contribution). Protective services increased \$.4 million (labor, contract and benefits). Insurance increased \$.3 million. Depreciation increased \$.3 million. Most expenses increased moderately due to inflation, except for utilities, and maintenance. Although the Authority reduced natural gas prices under a special rate negotiation initiative, increased usage was the factor in the increased expense. Maintenance expenses increased in excess of inflation due to a higher level of maintenance activity during the fiscal year 2002.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2004
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had 73.25 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$1.9 million or 2.5% from the end of last year.

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

	Business-Type Activities	
	2004 (Millions of Dollars)	2003 (Millions of Dollars)
Land and Land Rights	\$ 12.79	\$ 12.75
Buildings	117.92	117.31
Equipment - Administrative & Dwelling	4.25	4.20
Accumulated Depreciation	(64.24)	(59.30)
Construction in Progress	<u>2.53</u>	<u>0</u>
Total	<u>\$ 73.25</u>	<u>\$ 74.96</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 5 of the notes.

Table 5 - Change in Capital Assets (In Millions)

	Business-Type Activities
Beginning Balance	\$ 75.17
Additions, Net of Retirements	3.23
Other Adjustments	(0.21)
Depreciation and Amortization	<u>(4.94)</u>
Ending Balance	<u>\$ 73.25</u>

This year's majority additions, primarily capital expenditures related to modernizing the Authority's housing developments. There was also a small amount of equipment purchases. The Authority also had a net of capital asset decrease of \$.21 million from a restatement of prior years capital assets.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2004
(Unaudited)

DEBT OUTSTANDING

As of year-end, the Authority had \$2.2 million in debt (bonds, notes, etc.) outstanding compared to \$2.49 million last year, a \$.13 million decrease.

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

<u>Business-Type</u>	<u>Total 2004</u>	<u>Total 2003</u>
Primary Government	\$ 1.76	\$ 2.21
Component Units	.86	0.28
Total	<u>\$ 2.62</u>	<u>\$ 2.49</u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

STARK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED MARCH 31, 2004

	Primary Government	Component Units	Total (Memorandum Only)
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 256,286	\$ 479,518	\$ 735,804
Investments	4,616,000	250,678	4,866,678
Accounts Receivable - Net of Allowance	1,757,231	442,194	2,199,425
Inventories - Net of Allowance	484,673	0	484,673
Prepaid Expenses	560,303	19,304	579,607
Total Current Assets	<u>7,674,493</u>	<u>1,191,694</u>	<u>8,866,187</u>
Non-Current Assets:			
Capital Assets, Not Depreciated	15,215,572	111,087	15,326,659
Capital Assets - Net of Accumulated Depreciation	56,733,382	1,193,256	57,926,638
Non-Current Assets:			
Notes and Mortgages Receivable	2,189,230	8,423	2,197,653
Total Non-Current Assets	<u>74,138,184</u>	<u>1,312,766</u>	<u>75,450,950</u>
Total Assets	<u>\$ 81,812,677</u>	<u>\$ 2,504,460</u>	<u>\$ 84,317,137</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Current Liabilities:			
Accounts Payable	\$ 548,305	\$ 13,799	\$ 562,104
Current Portion of Long-Term Debt	459,273	24,672	483,945
Intergovernmental Payable	1,154,266	193,346	1,347,612
Accrued Wages and Payroll Taxes	615,162	0	615,162
Tenant Security Deposits	349,213	8,230	357,443
Deferred Credits and Other Liabilities	200,857	8,212	209,069
Total Current Liabilities	<u>3,327,076</u>	<u>248,259</u>	<u>3,575,335</u>
Non-Current Liabilities:			
Long-Term Debt Net of Current	1,301,162	837,703	2,138,865
Other Long-Term Liabilities -			
Compensated Absences	641,727	0	641,727
Other Non-Current Liabilities	0	844,952	844,952
Total Non-Current Liabilities	<u>1,942,889</u>	<u>1,682,655</u>	<u>3,625,544</u>
Total Liabilities	<u>5,269,965</u>	<u>1,930,914</u>	<u>7,200,879</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	70,188,519	441,968	70,630,487
Unrestricted Net Assets	6,354,193	131,578	6,485,771
Total Net Assets	<u>76,542,712</u>	<u>573,546</u>	<u>77,116,258</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$81,812,677</u>	<u>\$2,504,460</u>	<u>\$84,317,137</u>

See accompanying notes to the general purpose financial statements.

STARK METROPOLITAN HOUSING AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED MARCH 31, 2004

	Primary Government	Component Units	Total Memorandum (Only)
<u>OPERATING REVENUES</u>			
Program Operating Grants/Subsidies	\$ 19,040,077	\$ 0	\$ 19,040,077
Tenant Revenues	4,313,620	83,620	4,397,240
Intergovernmental	360,911	557,467	918,378
Other Income	<u>750,664</u>	<u>79,601</u>	<u>830,265</u>
Total Operating Revenues	<u>24,465,272</u>	<u>720,688</u>	<u>25,185,960</u>
<u>OPERATING EXPENSES</u>			
Administrative	7,566,943	86,895	7,653,838
Tenant Services	570,544	0	570,544
Utilities Expenses	2,793,791	56,129	2,849,920
Ordinary Maintenance Operation	4,685,439	155,010	4,840,449
Protective Services	531,984	0	531,984
General	871,446	152,630	1,024,076
Housing Assistance Expenses	8,204,026	0	8,204,026
Depreciation	4,889,256	46,095	4,935,351
Other Expenses	<u>56,997</u>	<u>0</u>	<u>56,997</u>
Total Operating Expenses	<u>30,170,426</u>	<u>496,759</u>	<u>30,667,185</u>
Operating Income (Loss)	<u>(5,705,154)</u>	<u>223,929</u>	<u>(5,481,225)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>			
Capital Grants	2,782,185	0	2,782,185
Interest Income	61,973	10,045	72,018
Interest Expense	<u>(71,294)</u>	<u>(26,874)</u>	<u>(98,168)</u>
Total Non-Operating Revenue (Expenses)	<u>2,772,864</u>	<u>(16,829)</u>	<u>2,756,035</u>
Excess (Deficiency) of Revenue Over (Under) Expenses	(2,932,290)	207,100	(2,725,190)
Beginning Net Assets	79,683,513	205,631	79,889,144
Prior Period Adjustments	<u>(208,511)</u>	<u>160,815</u>	<u>(47,696)</u>
ENDING NET ASSETS	<u>\$ 76,542,712</u>	<u>\$ 573,546</u>	<u>\$ 77,116,258</u>

See accompanying notes to the general purpose financial statements.

STARK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Memorandum Only</u>
<u>Cash Flows from Operating Activities</u>			
Cash Received from HUD and Other Governments	\$19,345,907	\$ 633,909	\$19,979,816
Cash Received from Tenants	4,346,331	77,826	4,424,157
Cash Received from Other Sources	399,328	79,601	478,929
Cash Payments for Housing Assistance Payments	(8,204,026)	0	(8,204,026)
Cash Payments for Administrative	(7,671,751)	(86,895)	(7,758,646)
Cash Payments for Other Operating Expenses	(9,613,084)	(350,629)	(9,963,713)
Cash Payments to HUD and Other Governments	<u>(285,715)</u>	<u>(217,577)</u>	<u>(503,292)</u>
Net Cash (Used) by Operating Activities	<u>(1,683,010)</u>	<u>136,235</u>	<u>(1,546,775)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Payments on Debt	(446,553)	(30,835)	(477,388)
Acquisition of Fixed Assets	(2,700,606)	(530,481)	(3,231,087)
Sale of Fixed Assets	0	3,339	3,339
Debt Proceeds	0	614,000	614,000
Capital Grants Received	<u>2,782,185</u>	<u>0</u>	<u>2,782,185</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u>(364,974)</u>	<u>56,023</u>	<u>(308,951)</u>
<u>Cash Flows from Investing Activities</u>			
Sale of Investments	2,134,839	175,753	2,310,592
Investment Income	61,973	10,045	72,018
Interest Expense	<u>(71,294)</u>	<u>(26,874)</u>	<u>(98,168)</u>
Net Cash Provided by Investing Activities	<u>2,125,518</u>	<u>158,924</u>	<u>2,284,442</u>
Net Increase (Decrease) in Cash and Cash Equivalents	77,534	351,182	428,716
Cash and Cash Equivalents, Beginning	<u>178,752</u>	<u>128,336</u>	<u>307,088</u>
Cash and Cash Equivalents, Ending	<u>\$ 256,286</u>	<u>\$ 479,518</u>	<u>\$ 735,804</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>			
Net Operating Income (Loss)	\$(5,705,154)	\$ 207,412	\$(5,497,742)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities			
Depreciation	4,889,256	46,095	4,935,351
(Increase) Decrease in:			
Receivables - Net of Allowance	(338,987)	(198,431)	(537,418)
Inventory	(37,719)	0	(37,719)
Deferred Charges and Other Assets	(285,461)	(12,953)	(298,414)
Increase (Decrease) in:			
Accounts Payable	312,310	13,517	325,827
Non-Current Liabilities	20,654	0	20,654
Accrued Wages/Payroll Taxes	84,154	0	84,154
Intergovernmental Payable	(285,715)	7,979	(277,736)
Tenants' Security Deposits	23,769	4,153	27,922
Deferred Credits/Other Liabilities	<u>(360,117)</u>	<u>68,463</u>	<u>(291,654)</u>
Net Cash Used by Operating Activities	<u>\$ (1,683,010)</u>	<u>\$ 136,235</u>	<u>\$ (1,546,775)</u>

See accompanying notes to the general purpose financial statements.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

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

C. **Reporting Entity** (Continued)

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.

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

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

Discretely Presented Component Units

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

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

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

C. **Reporting Entity** (Continued)

Discretely Presented Component Units (Continued)

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 multi-family residential housing project in Stark County, Ohio. Separately issued audited financial statements can be obtained from the Authority.

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

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

D. **Fund Accounting**

The Authority uses enterprise funds to report on its financial position and the results of its operations for the Section 8 and public housing programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

E. **Proprietary Fund Types**

Proprietary funds are used to account for the Authority's ongoing activities which are similar to those found in the private sector. The following is the proprietary fund type:

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

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

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

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

F. **Measurement Focus/Basis of Accounting**

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

G. **Investments**

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2004 totaled \$61,973 for the primary government and \$10,045 for the component unit.

H. **Fixed Assets**

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

I. **Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less. A reclassification of \$1,068,257 of program cash overdraft per the supplemental financial data schedule was made to the cash and cash equivalent line in the combined balance sheet.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003
(CONTINUED)

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

J. Compensated Absences

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

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

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

K. Capital Contributions

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

L. Budgetary Accounting

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

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

M. Changes in Accounting Policies

Effective April 1, 2003, the Authority adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*.

GASB Statement No. 34 establishes financial reporting standards for all state and local governments and related entities. GASB Statement No. 34 primarily relates to presentation and disclosure requirements. The impact of this accounting change was related to the format of the financial statements, presentation of net assets, the inclusion of Management's Discussion and Analysis, additional disclosures for capital assets, and the preparation of the statements of cash flows on the direct method.

GASB Statement No. 37 clarifies certain provisions of Statement 34, including the required content of the MD&A, the classification of program revenues, and the criteria for determining major funds. GASB Statement No. 38 modifies, established, and rescinds certain financial statement note disclosures. There was no impact on prior year net assets.

N. 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 GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 2: **CASH AND INVESTMENTS**

A. **Primary Government**

HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

Direct Obligations of the Federal Government;
Obligations of Federal Government Agencies;
Securities of Government-Sponsored Agencies; and
Demand and Savings Deposits and Certificates of Deposit.

Investments consist of certificates of deposit and repurchase agreements maturing in seven days or less. Both investments are readily converted into cash but are separated from cash to indicate the intent of management to invest these funds on a long term basis. We have combined cash and investments for purposes of information about deposits held by the Authority.

Governmental Accounting Standards Board Statement No. 3 (GASB No. 3) has established custodial credit risk categories for deposits and investments as follows:

Deposits

- | | |
|------------|--|
| Category 1 | Insured or collateralized with securities held by the Authority or by its agent in the Authority's name. |
| Category 2 | Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. |
| Category 3 | Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name). |

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

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

A. **Primary Government** (Continued)

Investments

- Category 1 Insured or registered, or securities held by the Authority or its Agent in the Authority's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

Deposits - At year end, the carrying amount of the Stark Metropolitan Housing Authority's deposits was \$4,812,286 and the bank balance was \$5,357,030, the difference representing outstanding checks and other in-transit items. Of the bank balance, \$100,000 was covered by federal depository insurance. The remainder was uninsured but collateralized, with securities held in the name of the Authority by its Trustee.

Stark Metropolitan Housing Authority's investments consist of negotiable certificates of deposit and therefore under GASB No. 3 do not qualify as investments.

A reconciliation of cash and investments as shown on the Combined Balance Sheet follows:

<u>GASB Statement No. 9</u>	
Cash and Cash Equivalents	\$ 256,286
Investments	<u>4,616,000</u>
Total	<u>\$ 4,872,286</u>
 <u>GASB Statement No. 3</u>	
Carrying amount of deposits	\$ 4,872,286
Carrying amount of investments	<u>0</u>
Total	<u>\$ 4,872,286</u>

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

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

B. Component Unit

At year end, the carrying amount of the component units deposits were \$479,518, of this amount \$300,000 covered by FDIC insurance and the balance covered by a pledged collateral pool. Investments of the component unit consisted of money market funds at a local financial institution. Of these funds, \$100,000 was covered by FDIC insurance and the balance is covered by a pledged collateral pool.

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

The accompanying Schedule of Federal Awards expenditures is a summary of the activity of the Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting.

NOTE 4: **INSURANCE COVERAGE**

The Authority is covered for property damage, general liability, law enforcement liability, and public officials liability through the Housing Authority Insurance Company. Vehicles are covered through a separate insurance company. Deductible and coverage limits are summarized below:

	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 10,000	\$ 100,000,000 (in total)
General Liability	5,000	5,000,000
Vehicle	500/250	1,000,000
Professional/Law Enforcement	0	1,000,000/3,000,000
Public Officials	10,000	1,000,000
Commercial Inland Marine Boiler	2,500/13,000	130,000
Local Inspectors' Professional Liability	5,000	1,000,000

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 5: CAPITAL ASSETS

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
Capital Assets Not Depreciated:			
Land	\$ 12,683,332	\$ 111,087	\$ 12,794,418
Construction in Progress	<u>2,532,240</u>	<u>0</u>	<u>2,532,240</u>
Total Capital Assets Not Depreciated	<u>15,215,572</u>	<u>111,087</u>	<u>15,326,659</u>
Capital Assets Being Depreciated:			
Buildings and Building Improvements	116,700,890	1,216,184	117,917,074
Furniture and Equipment Dwelling	<u>4,203,680</u>	<u>45,257</u>	<u>4,248,937</u>
Total Capital Assets being Depreciated	120,904,570	1,261,441	122,166,011
Less Accumulated Depreciation	<u>(64,171,188)</u>	<u>(68,185)</u>	<u>(64,239,373)</u>
Subtotal Capital Assets Being Depreciated	<u>56,733,382</u>	<u>1,193,286</u>	<u>57,926,668</u>
Total Capital Assets	<u>\$ 71,948,954</u>	<u>\$ 1,304,343</u>	<u>\$ 73,253,297</u>

The following is a summary of changes:

	Restated Balance <u>April 1, 2003</u>	<u>Primary Government</u>		Balance <u>March 31, 2004</u>
		<u>Additions</u>	<u>Deletions</u>	
Capital Assets Not Depreciated:				
Land	\$ 12,683,332	\$ 0	\$ 0	\$ 12,683,332
Construction in Progress	<u>0</u>	<u>2,532,240</u>	<u>0</u>	<u>2,532,240</u>
Total Capital Assets Being Depreciated	<u>12,683,332</u>	<u>2,532,240</u>	<u>0</u>	<u>15,215,572</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	116,578,314	122,576	0	116,700,890
Furniture and Equipment Dwelling	<u>4,157,890</u>	<u>45,790</u>	<u>0</u>	<u>4,203,680</u>
Total Capital Assets Being Depreciated	120,736,204	168,366	0	120,904,570
Less Accumulated Depreciated	<u>(59,281,932)</u>	<u>(4,889,256)</u>	<u>0</u>	<u>(64,171,188)</u>
Total Primary Government	<u>\$ 74,137,604</u>	<u>\$(2,188,650)</u>	<u>\$ 0</u>	<u>\$ 71,948,954</u>

	Balance <u>April 1, 2003</u>	<u>Component Units</u>		Balance <u>March 31, 2004</u>
		<u>Additions</u>	<u>Deletions</u>	
Capital Assets Not Depreciated:				
Land	\$ 65,227	\$ 45,860	\$ 0	\$ 111,087
Total Capital Assets Not Depreciated	<u>65,227</u>	<u>45,860</u>	<u>0</u>	<u>111,087</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	731,563	484,621	0	1,216,184
Furniture and Equipment Dwelling	<u>48,785</u>	<u>0</u>	<u>(3,528)</u>	<u>45,257</u>
Total Capital Assets Being Depreciated	780,348	484,621	(3,528)	1,261,441
Less Accumulated Depreciation	<u>(22,279)</u>	<u>(46,095)</u>	<u>189</u>	<u>(68,185)</u>
Net Component Units	<u>\$ 823,296</u>	<u>\$ 484,386</u>	<u>\$ (3,339)</u>	<u>\$ 1,304,343</u>

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

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

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

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

Adjustments were necessary to restate fixed assets of the primary government for assets that were not on the Authority's books as of April 1, 2003. See Note 12 for further information.

NOTE 6: **PENSION PLAN**

Ohio Public Employees Retirement System

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

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

For the fiscal year ended March 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries which is being paid by the Authority on behalf of the members. The Authority's contribution rate for pension benefits for 2004 was 13.55 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the traditional plan for years ended March 31, 2004, 2003, and 2002 were \$395,886, \$395,637, and \$368,685 respectively; 100 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the combined and member-directed plan for 2004 were \$0 made by the Authority and \$0 made by the plan members.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 7: POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provided post-retirement health care coverage to age and service retirees with ten and more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$231,509. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care plan. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considering extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

NOTE 8: **COMPENSATED ABSENCES**

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

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

At March 31, 2004, based on the vesting method, \$815,676 was accrued by the Authority for unused vacation and sick time. The current portion is \$173,949 and the long term portion is \$641,727.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 9: **LONG-TERM DEBT**

The Authority was obligated on the following notes as of March 31, 2004:

	2004
<u>Bank One</u>	
Note dated May 12, 2000, due June 2005; payable in 5 annual installments, including interest at a fixed rate of 5.26%. The note is issued for the purpose of purchasing and installing geothermal equipment at the Metropolitan Arms.	\$ 572,308
<u>United National Bank and Trust</u>	
Note dated March 22, 2002; payable in monthly installments of \$6,740, including interest at a fixed rate of 4.975% with the note due July, 2009. The note is issued for the purchase and improvements of a property at 700 McKinley Avenue.	248,896
<u>United National Bank and Trust</u>	
Note dated July 9, 1999; due July, 2006; payable in monthly installments of \$9,808 including interest at a fixed rate of 4.44%. The note was issued for the purchase of refrigerators for Public Housing Units.	388,939
<u>Bank One</u>	
Note dated November 3, 1998; due November 2006; payable in monthly installments of \$3,646 in principal plus interest at a fixed rate of 4.18%. The note was issued for the purpose of providing for energy conservation measure for the Sherrick Court Homes Development.	116,617
<u>First Merit</u>	
Note dated August 7, 2002; due July 2013; payable in monthly installments of \$5,340 including interest at a fixed rate of 5.15%. The note was issued to fund project costs of improvements to Hill View Apartments	433,675
Total	\$1,760,435

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 31, 2005	\$ 459,273	\$ 77,165	\$ 536,438
March 31, 2006	646,244	51,172	697,416
March 31, 2007	170,583	23,372	193,955
March 31, 2008	128,362	16,618	144,980
March 31, 2009	134,409	13,517	147,926
Thereafter	<u>221,564</u>	<u>11,150</u>	<u>232,714</u>
Total:	<u>\$1,760,435</u>	<u>\$ 192,994</u>	<u>\$1,953,429</u>

The debt schedule for the component units is as follows:

First Merit Bank - Promissory Note - Interest Rate 4.96%	\$ 539,405
First Merit Bank - Promissory Note Principal Amount \$195,110 Interest Rate of 6.398%	183,944
First Merit Bank - Promissory Note Principal Amount \$97,000 Interest Rate of 4.34%	93,398
First Merit Bank - Promissory Note Principal Amount \$50,000 - Interest Rate of 6.2%	<u>45,628</u>
Total	<u>\$ 862,375</u>

Amortization of the debt was not available.

NOTE 10: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material operating lease commitments or material capital or construction commitments at March 31, 2004.

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.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 12: CHANGES IN ACCOUNTING PRINCIPLES, RECLASSIFICATIONS, AND CHANGES IN PRIOR YEAR'S FUND EQUITY

Changes in Accounting Principles

For fiscal year 2004, the Authority implemented GASB Statement No. 34. The implementation had no effect on the total enterprise fund equity; however, it did affect the classification of the equity which is now into two categories - Invested in Capital Assets, Net of Related Debt and Unrestricted Net Assets.

Changes in Prior Year Equity

The Authority performed a review of their fixed assets which resulted in a net change of (\$208, 511) to the prior year equity balance. In addition, the Component Unit equity balance increased due to a change in the reporting of deferred income received in 2003 in the amount of \$160,815.

NOTE 13: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS

	<u>Freed Housing Corporation</u>	<u>Stark MHA Credit Union</u>	<u>Washington Area Housing LLC</u>	<u>Totals</u>
<u>Balance Sheet</u>				
Current Assets	\$ 209,485	\$ 862,850	\$ 119,359	\$ 1,191,694
Capital Assets	807,594	1,522	495,227	1,304,343
Other Assets	0	8,423	0	8,423
Current Liabilities	154,564	7,574	86,120	248,259
Non-Current Liabilities	322,970	844,952	514,733	1,682,655
Net Assets	539,544	20,269	13,733	573,546
<u>Revenues Expenses and Change in Equity</u>				
Operating Revenue	\$ 434,828	\$ 6,864	\$ 278,996	\$ 720,688
Operating Expenses	226,832	20,669	249,258	496,759
Net Operating Income (Loss)	207,996	(13,805)	29,738	223,929
Net Non-Operating Revenue				
Over Expenses	(10,477)	9,653	(16,005)	(16,829)
Excess of Revenue Over Expenses	197,519	(4,152)	13,733	207,100

Stark Metropolitan Housing Authority
 Supplemental Financial Data Schedule
 Statement of Net Assets by Program
 As of March 31, 2004

Line Item No.	Account Description	Housing Counseling Assistance Program	N/C/S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public Housing Drug Elimination Program	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitat	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
ASSETS													
Current Assets													
111	Cash - Unrestricted	\$0	\$526,526	\$0	\$2,366	\$0	\$0	\$0	\$0	\$0	\$795,651	\$479,518	\$1,804,061
100	Total Cash	0	526,526	0	2,366	0	0	0	0	0	795,651	479,518	1,804,061
122	Accounts Receivable - HUD Other Projects	0	0	27,897	0	0	0	0	91,968	0	0	0	119,865
125	Accounts Receivable - Miscellaneous	0	0	0	1,401,877	0	0	0	2,986	0	13,421	433,081	1,851,365
126	Accounts Receivable - Tenants - Dwelling Rents	0	0	0	247,934	0	0	0	17,720	0	993	9,113	275,760
126.1	Allowance for Doubtful Accounts - Dwelling Rents	0	0	0	(49,587)	0	0	0	(547)	0	0	0	(50,134)
126.2	Allowance for Doubtful Accounts - Other	0	0	0	0	0	0	0	0	0	0	0	0
127	Notes, Loans, & Mortgages Receivable - Current	0	0	0	0	0	0	0	0	0	2,569	0	2,569
120	Total Receivables, net of allowances for doubtful accounts	0	0	27,897	1,600,224	0	0	0	112,127	0	16,983	442,194	2,199,425
131	Investments - Unrestricted	0	0	0	3,916,000	0	0	0	700,000	0	0	250,678	4,866,678
142	Prepaid Expenses and Other Assets	0	0	0	550,492	0	0	0	8,521	0	1,290	19,304	579,607
143	Inventories	0	0	0	526,819	0	0	0	0	0	0	0	526,819
143.1	Allowance for Obsolete Inventories	0	0	0	(42,146)	0	0	0	0	0	0	0	(42,146)
150	Total Current Assets	\$0	\$526,526	\$27,897	\$6,553,755	\$0	\$0	\$0	\$820,648	\$0	\$813,924	\$1,191,694	\$9,934,444
Non-current Assets													
161	Land	\$0	\$0	\$0	\$12,663,732	\$0	\$0	\$0	\$0	\$0	\$19,600	\$111,087	\$12,794,419
162	Buildings	0	0	0	111,003,290	0	0	0	150,000	3,827,649	1,719,951	1,216,184	117,917,074
163	Furniture, Equipment & Machinery - Dwellings	0	0	0	63,421	0	0	0	0	243,543	0	0	306,964
164	Furniture, Equipment & Machinery - Administration	0	0	0	3,746,829	0	0	0	149,887	0	0	45,257	3,941,973
165	Leasehold Improvements	0	0	0	0	0	0	0	0	0	0	0	0
166	Accumulated Depreciation	0	0	0	(63,708,093)	0	0	0	(148,710)	(238,580)	(75,805)	(68,185)	(64,239,373)
167	Construction In Progress	0	0	0	0	0	0	0	0	2,532,240	0	0	2,532,240
160	Total Fixed Assets, Net of Accumulated Depreciation	0	0	0	63,769,179	0	0	0	151,177	6,364,852	1,663,746	1,304,343	73,253,297
171	Notes, Loans, & Mortgages Receivable - Non Current	0	0	0	2,189,230	0	0	0	0	0	0	0	2,189,230
174	Other Assets	0	0	0	0	0	0	0	0	0	0	8,423	8,423
180	Total Non-Current Assets	0	0	0	65,958,409	0	0	0	151,177	6,364,852	1,663,746	1,312,766	75,450,950
190	Total Assets	\$0	\$526,526	\$27,897	\$72,512,164	\$0	\$0	\$0	\$971,825	\$6,364,852	\$2,477,670	\$2,504,460	\$85,385,394

NOTE: For the basic financial statement presentation, interprogram balances are eliminated.

Stark Metropolitan Housing Authority
 Supplemental Financial Data Schedule
 Statement of Net Assets by Program
 As of March 31, 2004

Line Item No.	Account Description	Housing	NCS/R	Shelter Plus Care	Low Rent Public Housing	Public Housing Drug Elimination Program	Lower Income	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
		Counseling Assistance Program	Section 8 Programs				Housing Assistance Program/Section 8 Moderate Rehabilitation						
LIABILITIES													
Current Liabilities													
311	Bank Overdraft	\$0	\$0	\$19,105	\$462,968	\$0	\$369,152	\$0	\$217,032	\$0	\$0	\$0	\$1,068,257
312	Accounts Payable <= 90 Days	0	0	0	526,667	0	0	0	768	0	20,870	13,799	562,104
321	Accrued Wage/Payroll Taxes Payable	0	0	0	159,082	0	0	0	0	0	0	0	159,082
322	Accrued Compensated Absences - Current Portion	0	3,878	0	115,663	0	3,850	0	48,809	0	1,749	0	173,949
331	Accounts Payable - HUD PHA Programs	1,473	48,000	0	0	0	28,304	0	7,637	0	4,568	0	89,982
332	Accounts Payable - PHA Projects	0	0	0	0	0	0	0	0	0	0	193,346	193,346
333	Accounts Payable - Other Government	0	0	0	154,068	0	0	0	0	0	910,216	0	1,064,284
341	Tenant Security Deposits	0	0	0	348,813	0	0	0	0	0	400	8,230	357,443
342	Deferred Revenues	0	0	0	142,316	0	0	0	7,636	0	0	638	150,590
Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue													
343	Bonds	0	0	0	416,607	0	0	0	0	0	42,666	24,672	483,945
345	Other Current Liabilities	0	0	0	50,905	0	0	0	0	0	0	7,574	58,479
346	Accrued Liabilities - Other	0	18,478	4,291	116,111	0	9,197	0	134,054	0	0	0	282,131
310	Total Current Liabilities	\$1,473	\$70,356	\$23,396	\$2,493,200	\$0	\$410,503	\$0	\$415,936	\$0	\$980,469	\$248,259	\$4,643,592
Non-current Liabilities													
Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue													
351	Bonds	\$0	\$0	\$0	\$910,153	\$0	\$0	\$0	\$0	\$0	\$391,009	\$837,703	\$2,138,865
354	Accrued Compensated Absences - Non Current	0	14,308	0	426,699	0	14,202	0	180,065	0	6,453	0	641,727
353	Noncurrent Liabilities - Other	0	0	0	0	0	0	0	0	0	0	844,952	844,952
350	Total Noncurrent Liabilities	0	14,308	0	1,336,852	0	14,202	0	180,065	0	397,462	1,682,655	3,625,544
300	Total Liabilities	\$1,473	\$84,664	\$23,396	\$3,830,052	\$0	\$424,705	\$0	\$596,001	\$0	\$1,377,931	\$1,930,914	\$8,269,136
Net Assets													
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$0	\$0	\$62,442,419	\$0	\$0	\$0	\$151,177	\$6,364,852	\$1,230,071	\$441,968	\$70,630,487
511.1	Restricted Net Assets	0	0	0	0	0	0	0	0	0	0	0	0
512.1	Unrestricted Net Assets	(1,473)	441,862	4,501	6,239,693	0	(424,705)	0	224,647	0	(130,332)	131,578	6,485,771
513	Total Net Assets	(1,473)	441,862	4,501	68,682,112	0	(424,705)	0	375,824	6,364,852	1,099,739	573,546	77,116,258
600	Total Liabilities and Net Assets	\$0	\$526,526	\$27,897	\$72,512,164	\$0	\$0	\$0	\$971,825	\$6,364,852	\$2,477,670	\$2,504,460	\$85,385,394

NOTE: For the basic financial statement presentation, interprogram balances are eliminated.

Stark Metropolitan Housing Authority
Supplemental Financial Data Schedule
Schedule of Revenues, Expenses and Changes in Net Assets by Program
As of March 31, 2004

Line Item No.	Account Description	Housing	N/C/S/R	Shelter Plus	Low Rent	Public Housing	Lower Income	Resident	Housing	Public	State/Local	Component Units	Total
		Counseling Assistance Program	Section 8 Programs	Care	Public Housing	Drug Elimination Program	Housing Assist. Program Sect. 8 Moderate Rehabilitation	Opportunity and Supportive Services	Choice Vouchers	Housing Capital Fund Program			
REVENUES													
703	Net Tenant Rental Revenue	\$0	\$0	\$0	\$4,312,626	\$0	\$0	\$0	\$0	\$0	\$994	\$83,620	\$4,397,240
705	Total Tenant Revenue	0	0	0	4,312,626	0	0	0	0	0	994	83,620	4,397,240
706	HUD PHA Operating Grants	5,890	1,616,336	219,309	5,627,268	294,183	350,277	180,129	6,857,906	3,803,343	85,436	0	19,040,077
706.1	Capital Grants	0	0	0	0	0	0	0	0	2,782,185	0	0	2,782,185
708	Other Government Grants	0	0	0	0	0	0	0	0	0	360,911	557,467	918,378
711	Investment Income - Unrestricted	0	5,748	0	43,608	0	285	0	4,720	0	7,612	10,045	72,018
715	Other Revenue	0	0	0	292,591	0	320	0	5,643	0	452,110	79,601	830,265
700	Total Revenue	\$5,890	\$1,622,084	\$219,309	\$10,276,093	\$294,183	\$350,882	\$180,129	\$6,868,269	\$6,585,528	\$907,063	\$730,733	\$28,040,163
EXPENSES													
911	Administrative Salaries	7,363	31,865	3,610	1,221,872	37,745	31,631	10,391	375,795	0	168,920	3,308	1,892,500
912	Auditing Fees	0	900	50	9,400	0	200	0	3,725	0	0	3,800	18,075
914	Compensated Absences	0	0	0	116,719	0	0	0	0	0	0	0	116,719
915	Employee Benefit Contributions - Administrative	0	12,004	2,269	693,354	14,514	16,854	4,081	186,538	0	89,995	0	1,019,609
916	Other Operating - Administrative	0	8,607	787	579,545	0	1,572	0	33,159	3,803,343	100,135	79,787	4,606,935
921	Tenant Services - Salaries	0	0	0	71,212	9,798	0	90,539	0	0	116,414	0	287,963
923	Employee Benefit Contributions - Tenant Services	0	0	0	28,685	6,014	0	40,461	0	0	36,994	0	112,154
924	Tenant Services - Other	0	0	0	49,985	1,750	0	34,657	0	0	84,035	0	170,427
931	Water	0	0	0	364,463	0	0	0	0	0	1,299	5,630	371,392
932	Electricity	0	0	0	678,956	0	0	0	0	0	5,156	17,070	701,182
933	Gas	0	0	0	1,322,944	0	0	0	0	0	12,398	20,840	1,356,182
938	Other Utilities Expense	0	0	0	405,586	0	0	0	0	0	2,989	12,589	421,164
941	Ordinary Maintenance and Operations - Labor	0	0	0	1,387,110	0	0	0	0	0	0	8,863	1,395,973
942	Ordinary Maintenance and Operations - Materials and Other	0	0	0	521,131	0	0	0	12,150	0	45,915	142,004	721,200
943	Ordinary Maintenance and Operations - Contract Costs	0	0	0	1,917,232	0	0	0	0	0	13,875	4,143	1,935,250
945	Employee Benefit Contributions - Ordinary Maintenance	0	0	0	788,026	0	0	0	0	0	0	0	788,026
951	Protective Services - Labor	0	0	0	185,050	0	0	0	0	0	0	0	185,050
952	Protective Services - Other Contract Costs	0	0	0	39,925	146,896	0	0	0	0	0	0	186,821
953	Protective Services - Other	0	0	0	6,193	0	0	0	0	0	0	0	6,193
955	Employee Benefit Contributions - Protective Services	0	0	0	76,850	77,070	0	0	0	0	0	0	153,920
961	Insurance Premiums	0	1,031	276	487,309	396	12,950	0	77,444	0	25,939	6,079	611,424
962	Other General Expenses	0	0	5,138	0	0	0	0	4,114	0	314	125,803	135,369
963	Payments in Lieu of Taxes	0	0	0	154,068	0	0	0	0	0	9,215	20,010	183,293
964	Bad Debt - Tenant Rents	0	0	0	70,841	0	0	0	0	0	0	738	71,579
967	Interest Expense	0	0	0	45,326	0	0	0	0	0	25,968	26,874	98,168
968	Severance Expense	0	0	0	22,411	0	0	0	0	0	0	0	22,411
969	Total Operating Expenses	7,363	54,407	12,130	11,244,193	294,183	63,207	180,129	692,925	3,803,343	739,561	477,538	17,568,979
970	Excess Operating Revenue over Operating Expenses	(1,473)	1,567,677	207,179	(968,100)	0	287,675	0	6,175,344	2,782,185	167,502	236,678	10,454,667

Stark Metropolitan Housing Authority
Supplemental Financial Data Schedule
Schedule of Revenues, Expenses and Changes in Net Assets by Program
As of March 31, 2004

Line Item No.	Account Description	Housing Counseling Assistance Program	NCSR Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public Housing Drug Elimination Program	Lower Income Housing Assist. Program Sect. 8 Moderate Rehabilitation	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Housing Capital Fund Program	State/Local	Component Units	Total
EXPENSES (cont.)													
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$0	\$56,997	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$56,997
973	Housing Assistance Payments	0	1,518,706	198,629	0	0	307,314	0	6,095,987	0	83,390	0	8,204,026
974	Depreciation Expense	0	0	0	4,609,471	0	0	0	38,382	166,598	75,805	46,095	4,935,351
900	Total Expenses	\$7,363	\$1,573,113	\$210,759	\$15,910,661	\$294,183	\$370,521	\$180,129	\$6,827,294	\$3,968,941	\$898,756	\$523,633	\$30,765,353
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$1,473)	\$48,971	\$8,550	(\$5,634,568)	\$0	(\$19,639)	\$0	\$40,975	\$2,616,587	\$8,307	\$190,583	(\$2,725,190)
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$294,120	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$294,120
1103	Beginning Equity	\$0	\$391,136	(\$4,050)	\$74,637,848	\$0	(\$406,282)	\$0	\$208,818	\$3,605,222	\$1,250,821	\$205,631	\$79,889,144
1104	Errors	\$0	\$1,755	\$1	(\$321,168)	\$0	\$1,216	\$0	\$126,031	\$143,043	(\$159,389)	\$160,815	(\$47,696)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$148,166	\$0	\$0	\$0	\$374,550	\$0	\$6,760,494	\$0	\$0	\$0	\$7,283,210
1114	less than Twelve Months	\$0	\$251,985	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$251,985
1115	Contingency Reserve, ACC Program Reserve	\$0	\$5,452,610	\$0	\$0	\$0	\$4,612,410	\$0	\$166,810	\$0	\$0	\$0	\$10,231,830
1116	Total Annual Contributions Available	\$0	\$5,852,761	\$0	\$0	\$0	\$4,986,960	\$0	\$6,927,304	\$0	\$0	\$0	\$17,767,025
1120	Unit Months Available	0	4,252	796	30,420	0	1,116	0	18,012	0	1,404	456	56,456
1121	Number of Unit Months Leased	0	4,252	572	26,262	0	1,003	0	17,667	0	1,351	456	51,563

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2004**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
<u>From U.S. Department of HUD</u>		
<u>Direct Programs</u>		
<u>U.S. Department of HUD</u>		
<u>PHA Owned Housing:</u>		
Housing Counseling Assistance Program	14.169	\$ 5,890
Public and Indian Housing Operating Subsidy	14.850	5,627,268
Capital Fund Program	14.872	6,585,528
Drug Elimination	14.854	294,183
Shelter Care Plus	14.238	219,309
Resident Opportunity and Supportive Services	14.870	<u>180,129</u>
Total for PHA Owned Housing		<u>12,912,307</u>
 <u>Section 8 Tenant Based Clusters:</u>		
<u>Housing Assistance Payments:</u>		
Housing Choice - Vouchers	14.871	<u>6,857,906</u>
Total for Section 8 Tenant Based Clusters		<u>6,857,906</u>
 <u>Section 8 Project Based Programs:</u>		
Project Based - Mod Rehabilitation	14.856	350,277
- New Construction	14.182	<u>1,616,336</u>
Subtotal Section 8 Project Based Programs		<u>1,966,613</u>
 Home Investment Partnership Program (Passed through Stark County)	 14.239	 <u>85,436</u>
<i>Total U.S. Department of HUD</i>		<u>21,822,262</u>
 TOTAL ALL PROGRAMS		 <u>\$21,822,262</u>

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

Board of Directors
Stark Metropolitan Housing Authority
Canton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the basic financial statements of the Stark Metropolitan Housing Authority as of and for the year ended March 31, 2004, and have issued our report thereon dated October 28, 2004. The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2003. This results in a change to the to the Authority's method of accounting for certain nonexchange revenues and a change in the format and content of the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stark Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We did note matters involving the internal control over financial reporting which we have reported to the management of the Authority in a separate letter dated October 28, 2004.

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

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

October 28, 2004

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Ohio Society of Certified Public Accountants

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

Board of Directors
Stark Metropolitan Housing Authority
Canton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Stark Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended March 31, 2004. Stark Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants, applicable to each of its major federal programs is the responsibility of the Stark Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Stark Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2004.

Internal Control Over Compliance

The management of the Stark Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Stark Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

October 28, 2004

STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
MARCH 31, 2004

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

2004(i)	Type of Financial Statement Opinion	Unqualified
2004(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2004(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2004(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2004(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2004(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2004(v)	Type of Major Programs' Compliance Opinion	Unqualified
2004(vi)	Are there any reportable findings under .510?	No
2004(vii)	Major Programs (list):	Section 8 - New Construction #14.182 Section 8 Moderate Rehabilitation #14.856 Housing Choice Voucher CFDA #14.871
2004(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$654,668 Type B: > all others
2004(ix)	Low Risk Auditee?	Yes

STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
(CONTINUED)
MARCH 31, 2004

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

None.

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

None.



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STARK METROPOLITAN HOUSING AUTHORITY

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 11, 2005**