

STARK METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED MARCH 31, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Stark Metropolitan Housing Authority, Stark County, prepared by James G. Zupka, CPA, Inc., for the audit period April 1, 2004 to March 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 28, 2005

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STARK METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2005

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

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
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, 2005, and for the year then ended, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the Stark Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the component units of Stark Metropolitan Housing Authority (see Note 1C for a description), which statements reflect total assets constituting less than four percent of the total assets at March 31, 2005 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, 2005, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2005, on our consideration of Stark Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The combining Financial Data Schedules (FDS) 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

November 30, 2005

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2005
(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, 2005, activities, resulting changes and currently known facts, please read it in conjunction with the Authority’s financial statements (beginning on page 10).

FINANCIAL HIGHLIGHTS

- The Authority’s net assets decreased by \$0.8 million, or 1.0 percent, during 2005, due to a loss in Results from Operations of \$2.4 million. Since the Authority engages only in business-type activities, the decrease is all in the category of net assets. Net assets were \$77.1 million and \$76.4 million for 2004 and 2005, respectively.
- Revenues decreased by \$1.4 million, or 5.1 percent, during 2005 and were \$28.0 million and \$26.6 million for 2004 and 2005, respectively.
- The total expenses of all Authority programs decreased by \$1.8 million, or 5.7 percent. Total expenses were \$30.8 million and \$29.0 million for 2004 and 2005, respectively.

USING THIS ANNUAL REPORT

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

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

<p><u>Basic Financial Statements</u> Authority-Wide Financial Statements - pages 10-12 Notes to Financial Statements - pages 13-27</p>

<p>Other Required Supplementary Information Required Supplementary Information - pages 28-31 (other than MD&A)</p>

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2005
(Unaudited)

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority-wide financial statements (see pages 10-12) are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

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

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

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

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

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

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

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

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

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2005
(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 subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

Other Non-Major Funds

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

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

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

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2005
(Unaudited)

AUTHORITY-WIDE STATEMENTS

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

Table 1 - Statement of Net Assets

	2005 (in Millions) of Dollars	2004 (In Millions) of Dollars
<u>Current and Other Assets</u>	\$ 7.97	\$ 8.87
Capital Assets	72.05	73.25
Notes/Mortgages	<u>2.16</u>	<u>2.20</u>
Total Assets	<u>82.18</u>	<u>84.32</u>
<u>Current Liabilities</u>	2.49	3.58
Long-Term Liabilities	<u>3.34</u>	<u>3.62</u>
Total Liabilities	<u>5.83</u>	<u>7.20</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	69.86	70.63
Unrestricted	<u>6.49</u>	<u>6.49</u>
Total Net Assets	<u>76.35</u>	<u>77.12</u>
Totals	<u>\$ 82.18</u>	<u>\$ 84.32</u>

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

Major Factors Affecting The Statement of Net Assets

During 2005, current and other assets decreased by \$0.9 million, and current liabilities were decreased by \$1.1 million.

Capital assets also changed, decreasing from \$73.25 million to \$72.05 million. The \$1.2 million decrease may be attributed primarily to a combination of net acquisitions (\$3.48 million), less current year depreciation and amortization (\$4.68) million. For more detail see "Capital Assets and Debt Administration" below.

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

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2005
(Unaudited)

Table 2 - Change of Unrestricted Net Assets

	Millions of Dollars
Unrestricted Net Assets 03/31/04	\$ 6.49
Results of Operations	(2.40)
Adjustments:	
Depreciation (1)	4.68
Capital Expenditures and Debt Payments (2)	(2.28)
Unrestricted Net Assets 03/31/05	\$ 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.

Statement of Activities

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

Table 3 - Statement of Activities

	2005 (Millions of Dollars)	2004 (Millions of Dollars)
Revenues		
Tenant Revenue - Rents and Other	\$ 4.59	\$ 4.39
Operating Subsidies and Grants	19.75	19.96
Capital Grants	1.90	2.78
Investment Income	.07	.07
Other Revenues	.29	.83
Total Revenues	26.60	28.03
Expenses		
Administrative	5.70	7.80
Tenant Services	.64	.57
Utilities	3.02	2.85
Maintenance	4.89	4.84
Protective Services	.24	.53
General	1.30	1.02
Housing Assistance Payments	8.54	8.21
Depreciation	4.68	4.94
Total Expenses	29.01	30.76
Net Increase (Decrease)	\$ (2.41)	\$ (2.73)

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2005
(Unaudited)

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

Tenant revenue was stable during 2005 in comparison to 2004. Operating subsidies decreased as did grants and capital grants.

Administrative expense decreased by \$2.1 million as a result of some reclassifications while utility expense increased by \$0.17 million (mostly natural gas expense). Ordinary maintenance expense increased \$0.05 million (primarily wages and benefits). Protective services decreased \$0.29 million, insurance increased \$0.2 million, and depreciation decreased \$.3 million. Most expenses increased moderately due to inflation, except for utilities and maintenance expense. The Authority continues to reduce natural gas expenses through a special rate negotiation initiative.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had 72.05 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation) of \$1.2 million or 1.6 percent from the end of last year.

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

	2005 (Millions of Dollars)	2004 (Millions of Dollars)
Land and Land Rights	\$ 13.02	\$ 12.79
Buildings	116.80	117.92
Equipment - Administrative and Dwelling	4.16	4.25
Accumulated Depreciation	(68.98)	(64.24)
Construction in Progress	7.05	2.53
Total	<u>\$ 72.05</u>	<u>\$ 73.25</u>

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

Table 5 - Change in Capital Assets (In Millions)

	2005	2004
Beginning Balance	\$ 73.25	\$ 75.17
Additions, Net of Retirements	3.48	3.02
Depreciation and Amortization	(4.68)	(4.94)
Ending Balance	<u>\$ 72.05</u>	<u>\$ 73.25</u>

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

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended March 31, 2005
(Unaudited)

DEBT OUTSTANDING

As of year-end, the Authority had \$2.19 million in debt (bonds, notes, etc.) outstanding compared to \$2.62 million last year, a \$0.43 million decrease.

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

	<u>Total 2005</u>	<u>Total 2004</u>
Primary Government	\$ 1.30	\$ 1.76
Component Units	<u>.89</u>	<u>0.86</u>
Total	<u><u>\$ 2.19</u></u>	<u><u>\$ 2.62</u></u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

STARK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total (Memorandum Only)</u>
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 3,274,942	\$ 594,178	\$ 3,869,120
Investments	753,000	248,017	1,001,017
Accounts Receivable - Net of Allowance	1,483,033	629,515	2,112,548
Inventories - Net of Allowance	488,792	0	488,792
Prepaid Expenses	<u>484,614</u>	<u>19,446</u>	<u>504,060</u>
Total Current Assets	<u>6,484,381</u>	<u>1,491,156</u>	<u>7,975,537</u>
Non-Current Assets:			
Capital Assets, Not Depreciated	19,982,980	89,203	20,072,183
Capital Assets - Net of Accumulated Depreciation	50,810,901	1,167,244	51,978,145
Non-Current Assets:			
Notes and Mortgages Receivable	<u>2,145,442</u>	<u>11,029</u>	<u>2,156,471</u>
Total Non-Current Assets	<u>72,939,323</u>	<u>1,267,476</u>	<u>74,206,799</u>
Total Assets	<u>\$ 79,423,704</u>	<u>\$ 2,758,632</u>	<u>\$ 82,182,336</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Current Liabilities:			
Bank Overdraft	\$ 9,914	\$ 0	\$ 9,914
Accounts Payable	487,119	227,051	714,170
Current Portion of Long-Term Debt	439,835	36,060	475,895
Intergovernmental Payable	283,130	0	283,130
Accrued Wages and Payroll Taxes	419,850	0	419,850
Tenant Security Deposits	383,181	7,444	390,625
Deferred Credits and Other Liabilities	<u>167,961</u>	<u>29,079</u>	<u>197,040</u>
Total Current Liabilities	<u>2,190,990</u>	<u>299,634</u>	<u>2,490,624</u>
Non-Current Liabilities:			
Long-Term Debt Net of Current	861,223	853,735	1,714,958
Other Long-Term Liabilities:			
Compensated Absences	674,842	0	674,842
Other Non-Current Liabilities	<u>0</u>	<u>950,528</u>	<u>950,528</u>
Total Non-Current Liabilities	<u>1,536,065</u>	<u>1,804,263</u>	<u>3,340,328</u>
Total Liabilities	<u>3,727,055</u>	<u>2,103,897</u>	<u>5,830,952</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	69,492,823	366,652	69,859,475
Unrestricted Net Assets	<u>6,203,826</u>	<u>288,083</u>	<u>6,491,909</u>
Total Net Assets	<u>75,696,649</u>	<u>654,735</u>	<u>76,351,384</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 79,423,704</u>	<u>\$ 2,758,632</u>	<u>\$ 82,182,336</u>

See accompanying notes to the basic financial statements.

STARK METROPOLITAN HOUSING AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED MARCH 31, 2005

	Primary Government	Component Units	Total (Memorandum Only)
<u>Operating Revenues</u>			
Program Operating Grants/Subsidies	\$18,566,021	\$ 0	\$18,566,021
Tenant Revenues	4,481,855	103,545	4,585,400
Intergovernmental	611,839	577,058	1,188,897
Other Income	<u>278,621</u>	<u>6,013</u>	<u>284,634</u>
Total Operating Revenues	<u>23,938,336</u>	<u>686,616</u>	<u>24,624,952</u>
<u>Operating Expenses</u>			
Administrative	5,635,276	69,175	5,704,451
Tenant Services	638,229	0	638,229
Utilities Expenses	2,953,648	62,555	3,016,203
Ordinary Maintenance Operation	4,714,281	177,982	4,892,263
Protective Services	239,856	0	239,856
General	1,144,005	51,397	1,195,402
Housing Assistance Expenses	8,541,299	0	8,541,299
Depreciation	4,638,453	39,640	4,678,093
Other Expenses	<u>38,172</u>	<u>0</u>	<u>38,172</u>
Total Operating Expenses	<u>28,543,219</u>	<u>400,749</u>	<u>28,943,968</u>
Operating Income (Loss)	<u>(4,604,883)</u>	<u>285,867</u>	<u>(4,319,016)</u>
<u>Non-Operating Revenue (Expenses)</u>			
Capital Grants	1,904,164	0	1,904,164
Interest Income	65,150	8,967	74,117
Interest Expense	<u>(28,665)</u>	<u>(40,640)</u>	<u>(69,305)</u>
Total Non-Operating Revenue (Expenses)	<u>1,940,649</u>	<u>(31,673)</u>	<u>1,908,976</u>
Excess (Deficiency) of Revenue Over (Under) Expenses	<u>(2,664,234)</u>	<u>254,194</u>	<u>(2,410,040)</u>
Beginning Net Assets	76,542,712	573,546	77,116,258
Prior Period Adjustments	<u>1,818,171</u>	<u>(173,005)</u>	<u>1,645,166</u>
ENDING NET ASSETS	<u>\$75,696,649</u>	<u>\$ 654,735</u>	<u>\$76,351,384</u>

See accompanying notes to the basic financial statements.

STARK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED MARCH 31, 2005

	Primary Government	Component Units	Total (Memorandum Only)
<u>Cash Flows from Operating Activities</u>			
Cash Received from HUD and Other Governments	\$18,226,605	\$ 577,058	\$18,803,663
Cash Received from Tenants	4,589,616	108,067	4,697,683
Cash Received from Other Sources	1,424,900	6,013	1,430,913
Cash Payments for Housing Assistance Payments	(8,541,299)	0	(8,541,299)
Cash Payments for Administrative	(6,941,928)	(100,045)	(7,041,973)
Cash Payments for Other Operating Expenses	(8,682,387)	(386,424)	(9,068,811)
Cash Payments to HUD and Other Governments	<u>(685,544)</u>	<u>(87,770)</u>	<u>(773,314)</u>
Net Cash (Used) by Operating Activities	<u>(610,037)</u>	<u>116,899</u>	<u>(493,138)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Payments on Debt	(459,377)	(22,580)	(481,957)
Acquisition of Fixed Assets	(1,725,493)	(647)	(1,726,140)
Debt Proceeds	0	50,000	50,000
Capital Grants Received	<u>1,904,164</u>	<u>0</u>	<u>1,904,164</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u>(280,706)</u>	<u>26,773</u>	<u>(253,933)</u>
<u>Cash Flows from Investing Activities</u>			
Investments Redeemed	3,863,000	2,661	3,865,661
Investment Income	65,150	8,967	74,117
Interest Expense	<u>(28,665)</u>	<u>(40,640)</u>	<u>(69,305)</u>
Net Cash Provided by Investing Activities	<u>3,899,485</u>	<u>(29,012)</u>	<u>3,870,473</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,008,742	114,660	3,123,402
Cash and Cash Equivalents, Beginning	<u>256,286</u>	<u>479,518</u>	<u>735,804</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,265,028</u>	<u>\$ 594,178</u>	<u>\$ 3,859,206</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>			
Net Operating Income (Loss)	\$(4,604,883)	\$ 285,867	\$(4,319,016)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities			
Depreciation	4,638,453	39,640	4,678,093
(Increase) Decrease in:			
Receivables - Net of Allowance	274,198	(187,321)	86,877
Inventory	(4,119)	0	(4,119)
Prepaid Expenses and Other Assets	119,477	(2,748)	116,729
Increase (Decrease) in:			
Accounts Payable	(61,186)	213,252	152,066
Non-Current Liabilities	33,115	0	33,115
Accrued Wages/Payroll Taxes	(195,312)	0	(195,312)
Intergovernmental Payable	(871,136)	(193,346)	(1,064,482)
Tenants' Security Deposits	33,968	(786)	33,182
Deferred Credits/Other Liabilities	<u>27,388</u>	<u>(37,659)</u>	<u>(10,271)</u>
Net Cash Used by Operating Activities	<u>\$ (610,037)</u>	<u>\$ 116,899</u>	<u>\$ (493,138)</u>

See accompanying notes to the basic financial statements.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity and Programs

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

B. Summary of Significant Accounting Policies

The financial statements of the Stark Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

C. Reporting Entity

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)

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

C. **Reporting Entity** (Continued)

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

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

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

Discretely Presented Component Units

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

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)

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

C. **Reporting Entity** (Continued)

Discretely Presented Component Units (Continued)

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

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

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

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

D. **Fund Accounting**

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

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

E. **Proprietary Fund Types**

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(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, to its business-type activities and enterprise funds provided they 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 \$65,150 for the primary government and \$8,967 for the component unit.

H. **Fixed Assets**

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

I. **Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)

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

J. Compensated Absences

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

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

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

K. Capital Contributions

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

L. Budgetary Accounting

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

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

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

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: **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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(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 \$4,018,028 and the bank balance was \$4,170,648, the difference representing outstanding checks and other in-transit items. Included in the carrying amount of the Authority's deposits is petty cash of \$1,230. 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	\$ 3,274,942
Bank Overdraft	(9,914)
Investments	<u>753,000</u>
Total	<u>\$ 4,018,028</u>

<u>GASB Statement No. 3</u>	
Carrying amount of deposits	\$ 4,018,028
Carrying amount of investments	<u>0</u>
Total	<u>\$ 4,018,028</u>

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

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

B. Component Unit

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

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

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

NOTE 4: **INSURANCE COVERAGE**

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

	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 10,000	\$ 180,602,227 (in total)
General Liability	0	5,000,000
Auto Liability	0	1,000,000
Auto Physical Damage	500	ACV
Commercial Inland Marine	13,000	130,000
Lead Inspectors' Professional Liability	5,000	1,000,000
Boiler and Machinery	10,000	50,000,000

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)

NOTE 5: CAPITAL ASSETS

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

	Primary Government	Component Units	Totals
<i>Capital Assets Not Depreciated</i>			
Land	\$ 12,926,645	\$ 89,203	\$ 13,015,848
Construction in Progress	7,056,335	0	7,056,335
Total Capital Assets Not Depreciated	19,982,980	89,203	20,072,183
<i>Capital Assets Being Depreciated</i>			
Buildings and Building Improvements	115,582,226	1,214,771	116,796,997
Furniture and Equipment Dwelling	4,116,727	45,904	4,162,631
Total Capital Assets Being Depreciated	119,698,953	1,260,675	120,959,628
Less Accumulated Depreciation	(68,888,052)	(93,431)	(68,981,483)
Subtotal Capital Assets Being Depreciated	50,810,901	1,167,244	51,978,145
Total Capital Assets	\$ 70,793,881	\$ 1,256,447	\$ 72,050,328

The following is a summary of changes:

	Primary Government			
	Balance April 1, 2004	Additions	Deletions	Balance March 31, 2005
<i>Capital Assets Not Depreciated</i>				
Land	\$ 12,683,332	\$ 243,313	\$ 0	\$ 12,926,645
Construction in Progress	2,532,240	4,524,095	0	7,056,335
Total Capital Assets Being Depreciated	15,215,572	4,767,408	0	19,982,980
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	116,700,890	0	(1,118,664)	115,582,226
Furniture and Equipment Dwelling	4,203,680	74,648	(161,601)	4,116,727
Total Capital Assets Being Depreciated	120,904,570	74,648	(1,280,265)	119,698,953
Less Accumulated Depreciated	(64,171,188)	(4,878,465)	161,601	(68,888,052)
Total Primary Government	\$ 71,948,954	\$ (36,409)	\$(1,118,664)	\$ 70,793,881
	Component Units			
	Balance April 1, 2004	Additions	Deletions	Balance March 31, 2005
<i>Capital Assets Not Depreciated</i>				
Land	\$ 111,087	\$ 0	\$ (21,884)	\$ 89,203
Total Capital Assets Not Depreciated	111,087	0	(21,884)	89,203
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	1,216,184	0	(1,413)	1,214,771
Furniture and Equipment Dwelling	45,257	647	0	45,904
Total Capital Assets Being Depreciated	1,261,441	647	(1,413)	1,260,675
Less Accumulated Depreciation	(68,185)	(39,640)	14,394	(93,431)
Net Component Units	\$ 1,304,343	\$ (38,993)	\$ (8,903)	\$ 1,256,447

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(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, 2004. See Note 12 for further information.

NOTE 6: **PENSION PLAN**

Ohio Public Employees Retirement System

All Authority full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - 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 member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit 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.

OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 13.55 percent of covered payroll. The Authority's required contributions to OPERS to fund retirement benefits for the years ended March 31, 2005, 2004, and 2003, were \$285,926, \$183,628, and \$185,464, respectively. The Authority has contributed 100 percent of these contributions for all three years.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The fiscal year 2005 employer contribution rate was 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health care for fiscal year 2005.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, 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 costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

At December 31, 2004, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885. The Authority's annual contributions for 2004 used to fund postemployment benefits were \$67,759. 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 \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

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

NOTE 8: **COMPENSATED ABSENCES**

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

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

At March 31, 2005, based on the vesting method, \$831,662 was accrued by the Authority for unused vacation and sick time. The current portion is \$156,820 and the long term portion is \$674,842.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

NOTE 9: LONG-TERM DEBT

The Authority was obligated on the following notes as of March 31, 2005:

<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.	\$ 372,308
<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.	134,010
<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.	327,194
<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.	72,867
<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	394,679
Total	\$1,301,058

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(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, 2006	\$ 439,835	\$ 50,720	\$ 490,555
March 31, 2007	366,110	39,484	405,594
March 31, 2008	122,063	22,897	144,960
March 31, 2009	128,362	16,598	144,960
March 31, 2010	97,211	13,517	110,728
2011-2015	<u>147,477</u>	<u>12,273</u>	<u>159,750</u>
Total	<u>\$1,301,058</u>	<u>\$ 155,489</u>	<u>\$1,456,547</u>

The debt schedule for the component units is as follows:

First Merit Bank - Promissory Note - Interest Rate 4.96%	\$ 513,699
First Merit Bank - Line of Credit	10,000
First Merit Bank - Promissory Note - Principal Amount \$195,110, Interest Rate of 6.398%	178,927
First Merit Bank - Promissory Note - Principal Amount \$97,000, Interest Rate of 4.34%	93,899
First Merit Bank - Promissory Note - Principal Amount \$50,000, Interest Rate of 7.21%	48,849
First Merit Bank - Promissory Note - Principal Amount \$50,000 - Interest Rate of 6.2%	<u>44,421</u>
Total	<u>\$ 889,795</u>

Amortization of the debt was not available.

NOTE 10: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had the following material construction commitments at March 31, 2005:

<u>Project</u>	<u>Amount</u>	<u>Balance Outstanding at 3-31-05</u>
Expansion and Renovation of Constitution Hall	\$1,073,000	\$ 352,916
Canton Service Center	2,350,000	2,241,900

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)

NOTE 11: LITIGATION

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

NOTE 12: CHANGES IN FUND NET EQUITY

The Authority (primary government) made the following adjustments to fund net equity in fiscal year 2005:

<u>Capital Fund</u>	
Reclassification of fiscal year 2004 expenses to capital assets	\$1,997,899
<u>Public Housing</u>	
Adjustment to accumulated depreciation	(240,012)
<u>Miscellaneous</u>	
Other program adjustments	60,284
Total Adjustments	<u>\$1,818,171</u>

In addition, the Component Unit equity balance decreased due to a change in the reporting of capital assets in 2005 in the amount of \$(173,005).

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	\$ 447,297	\$ 1,009,462	\$ 34,397	\$ 1,491,156
Capital Assets	751,900	588	503,959	1,256,447
Other Assets	0	11,029	0	11,029
Current Liabilities	215,197	29,144	55,293	299,634
Non-Current Liabilities	367,117	950,528	486,618	1,804,263
Net Assets	616,883	41,407	(3,555)	654,735
<u>Revenues Expenses and Change in Equity</u>				
Operating Revenue	\$ 428,695	\$ 3,810	\$ 254,111	\$ 686,616
Operating Expenses	148,269	7,679	244,801	400,749
Net Operating Income (Loss)	280,426	(3,869)	9,310	285,867
Net Non-Operating Revenue Over Expenses	(11,098)	6,022	(26,597)	(31,673)
Excess of Revenue Over Expenses	269,328	2,153	(17,287)	254,194

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
MARCH 31, 2005**

Line Item No.	Account Description	Housing Counseling Assistance Program	N/C S/R Section 8 Programs	Shelter Plus Care	HOME Investment Partnerships Program	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0001	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
ASSETS													
Current Assets:													
111													
100	Cash - Unrestricted	\$0	\$262,263	\$0	\$42,207	\$2,197,875	\$0	\$0	\$321,478	\$0	\$451,119	\$594,178	\$3,869,120
	Total Cash	\$0	\$262,263	\$0	\$42,207	\$2,197,875	\$0	\$0	\$321,478	\$0	\$451,119	\$594,178	\$3,869,120
122													
125	Accounts Receivable - HUD Other Projects	\$0	\$7,803	\$31,224	\$0	\$0	\$25,654	\$0	\$191,645	\$814,794	\$0	\$0	\$1,071,120
126	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$2,789	\$214,586	\$0	\$0	\$0	\$0	\$7,506	\$20,864	\$245,745
126.1	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$0	\$0	\$150,085	\$0	\$0	\$0	\$0	\$8,801	\$4,591	\$163,477
126.2	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	(\$15,009)	\$0	\$0	\$0	\$0	\$0	\$0	(\$15,009)
127	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$604,060	\$604,060
128.1	Fraud Recovery	\$0	\$0	\$0	\$0	\$36,531	\$0	\$0	\$10,593	\$0	\$0	\$0	\$47,124
120	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	(\$3,651)	\$0	\$0	(\$318)	\$0	\$0	\$0	(\$3,969)
	Total Receivables, net of allowances for doubtful accounts	\$0	\$7,803	\$31,224	\$2,789	\$382,542	\$25,654	\$0	\$201,920	\$814,794	\$16,307	\$629,515	\$2,112,548
131													
142	Investments - Unrestricted	\$0	\$0	\$0	\$0	\$475,000	\$0	\$0	\$0	\$0	\$278,000	\$248,017	\$1,001,017
143	Prepaid Expenses and Other Assets	\$0	\$0	\$0	\$0	\$478,520	\$0	\$0	\$4,276	\$0	\$1,818	\$19,446	\$504,060
143.1	Inventories	\$0	\$0	\$0	\$0	\$499,787	\$0	\$0	\$0	\$0	\$0	\$0	\$499,787
144	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	(\$10,995)	\$0	\$0	\$0	\$0	\$0	\$0	(\$10,995)
150	Interprogram Due From	\$0	\$388,386	\$0	\$0	\$1,231,669	\$0	\$0	\$0	\$0	\$0	\$0	\$1,620,055
Noncurrent A	Total Current Assets	\$0	\$658,452	\$31,224	\$44,996	\$5,254,398	\$25,654	\$0	\$527,674	\$814,794	\$747,244	\$1,491,156	\$9,595,592
161													
162	Land	\$0	\$0	\$0	\$0	\$12,907,045	\$0	\$0	\$0	\$0	\$19,600	\$89,203	\$13,015,848
163	Buildings	\$0	\$0	\$0	\$0	\$113,709,742	\$0	\$0	\$150,000	\$0	\$1,722,484	\$1,214,771	\$116,796,997
164	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$0	\$64,047	\$0	\$0	\$0	\$0	\$0	\$7,059	\$71,106
165	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$0	\$0	\$3,878,625	\$0	\$0	\$99,407	\$0	\$74,648	\$38,845	\$4,091,525
166	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
167	Accumulated Depreciation	\$0	\$0	\$0	\$0	(\$68,543,610)	\$0	\$0	(\$118,836)	\$0	(\$225,606)	(\$93,431)	(\$68,981,483)
160	Construction In Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,056,335	\$0	\$0	\$7,056,335
	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0	\$62,015,849	\$0	\$0	\$130,571	\$7,056,335	\$1,591,126	\$1,256,447	\$72,050,328
171													
174	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$0	\$2,145,442	\$0	\$0	\$0	\$0	\$0	\$0	\$2,145,442
180	Other Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$11,029	\$11,029
	Total Non-Current Assets	\$0	\$0	\$0	\$0	\$64,161,291	\$0	\$0	\$130,571	\$7,056,335	\$1,591,126	\$1,267,476	\$74,206,799
190													
	Total Assets	\$0	\$658,452	\$31,224	\$44,996	\$69,415,689	\$25,654	\$0	\$658,245	\$7,871,129	\$2,338,370	\$2,758,632	\$83,802,391

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
MARCH 31, 2005**

Line Item No.	Account Description	Housing Counseling Assistance Program	N/C S/R Section 8 Programs	Shelter Plus Care	HOME Investment Partnerships Program	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH018MR0001	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
LIABILITIES													
Current Liabilities:													
311	Bank Overdraft	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,914	\$0	\$0	\$9,914
312	Accounts Payable <= 90 Days	\$0	\$75,974	\$0	\$0	\$382,420	\$0	\$0	\$2,433	\$0	\$0	\$227,051	\$687,878
313	Accounts Payable >90 Days Past Due	\$0	\$25,597	\$0	\$0	\$695	\$0	\$0	\$0	\$0	\$0	\$0	\$26,292
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$0	\$0	\$131,502	\$0	\$0	\$0	\$0	\$0	\$0	\$131,502
322	Accrued Compensated Absences - Current Portion	\$0	\$0	\$0	\$0	\$125,868	\$0	\$0	\$22,029	\$0	\$8,923	\$0	\$156,820
331	Accounts Payable - HUD PHA Programs	\$0	\$21,989	\$0	\$0	\$0	\$68,193	\$0	\$5,296	\$0	\$16,841	\$0	\$112,319
333	Accounts Payable - Other Government	\$0	\$0	\$0	\$0	\$147,841	\$0	\$0	\$0	\$0	\$22,970	\$0	\$170,811
341	Tenant Security Deposits	\$0	\$0	\$0	\$0	\$370,427	\$0	\$0	\$0	\$0	\$12,754	\$7,444	\$390,625
342	Deferred Revenues	\$0	\$0	\$0	\$0	\$117,365	\$0	\$0	\$0	\$0	\$0	\$340	\$117,705
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$395,086	\$0	\$0	\$0	\$0	\$44,749	\$0	\$439,835
348	Loan Liability - Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$36,060	\$36,060
345	Other Current Liabilities	\$0	\$0	\$0	\$0	\$50,596	\$0	\$0	\$0	\$0	\$0	\$28,739	\$79,335
346	Accrued Liabilities - Other	\$0	\$13,001	\$0	\$0	\$117,659	\$0	\$0	\$868	\$0	\$0	\$0	\$131,528
347	Interprogram Due To	\$0	\$12,640	\$16,091	\$305	\$0	\$379,409	\$0	\$64,747	\$804,880	\$341,983	\$0	\$1,620,055
310	Total Current Liabilities	\$0	\$149,201	\$16,091	\$305	\$1,839,459	\$447,602	\$0	\$95,373	\$814,794	\$448,220	\$299,634	\$4,110,679
Noncurrent Liabilities:													
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$511,293	\$0	\$0	\$0	\$0	\$349,930	\$0	\$861,223
354	Accrued Compensated Absences - Non Current	\$0	\$17,410	\$7,990	\$1,262	\$420,076	\$7,825	\$0	\$217,240	\$0	\$3,039	\$0	\$674,842
355	Loan Liability - Non Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$853,735	\$853,735
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$950,528	\$950,528
350	Total Noncurrent Liabilities	\$0	\$17,410	\$7,990	\$1,262	\$931,369	\$7,825	\$0	\$217,240	\$0	\$352,969	\$1,804,263	\$3,340,328
300	Total Liabilities	\$0	\$166,611	\$24,081	\$1,567	\$2,770,828	\$455,427	\$0	\$312,613	\$814,794	\$801,189	\$2,103,897	\$7,451,007
NET ASSETS													
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$0	\$0	\$0	\$61,109,470	\$0	\$0	\$130,571	\$7,056,335	\$1,196,447	\$366,652	\$69,859,475
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$419,655	\$419,655
512.1	Unrestricted Net Assets	\$0	\$491,841	\$7,143	\$43,429	\$5,535,391	(\$429,773)	\$0	\$215,061	\$0	\$340,734	(\$131,572)	\$6,072,254
513	Total Net Assets	\$0	\$491,841	\$7,143	\$43,429	\$66,644,861	(\$429,773)	\$0	\$345,632	\$7,056,335	\$1,537,181	\$654,735	\$76,351,384
600	Total Liabilities and Net Assets	\$0	\$658,452	\$31,224	\$44,996	\$69,415,689	\$25,654	\$0	\$658,245	\$7,871,129	\$2,338,370	\$2,758,632	\$83,802,391

STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
MARCH 31, 2005

Line Item No.	Account Description	Housing Counseling Assistance Program	N/C S/R Section 8 Programs	Shelter Plus Care	HOME Investment Partnership Program	Low Rent Public Housing	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation OH018MR0001	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units
REVENUES												
703	Net Tenant Rental Revenue	\$0	\$0	\$0	\$0	\$4,401,016	\$0	\$0	\$0	\$0	\$80,839	\$103,545
705	Total Tenant Revenue	\$0	\$0	\$0	\$0	\$4,401,016	\$0	\$0	\$0	\$0	\$80,839	\$103,545
706	HUD PHA Operating Grants	\$22,448	\$1,600,516	\$299,781	\$83,296	\$6,011,265	\$367,973	\$102,101	\$7,066,503	\$2,988,172	\$0	\$577,058
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,904,164	\$0	\$0
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$635,805	\$0
711	Investment Income - Unrestricted	\$0	\$9,139	\$150	\$751	\$39,355	\$1,383	\$0	\$4,902	\$0	\$9,470	\$3,391
712	Mortgage Interest Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,576
715	Other Revenue	\$0	\$0	\$0	\$0	\$72,149	\$859	\$0	\$12,409	\$0	\$193,204	\$6,013
700	Total Revenue	\$22,448	\$1,609,655	\$299,931	\$84,047	\$10,523,785	\$370,215	\$102,101	\$7,083,814	\$4,892,336	\$919,318	\$695,583
EXPENSES												
911	Administrative Salaries	\$16,485	\$28,256	\$12,967	\$2,048	\$1,318,977	\$12,701	\$19,170	\$388,326	\$766,671	\$225,093	\$21,987
912	Auditing Fees	\$0	\$833	\$60	\$60	\$8,761	\$179	\$0	\$3,928	\$0	\$247	\$3,994
913	Outside Management Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,855	\$17,812
914	Compensated Absences	\$0	\$735	\$337	\$53	\$3,583	\$330	\$0	\$10,099	\$0	\$849	\$0
915	Employee Benefit Contributions - Administrative	\$5,865	\$11,377	\$7,737	\$1,188	\$726,140	\$6,503	\$12,592	\$198,743	\$453,629	\$125,620	\$0
916	Other Operating - Administrative	\$0	\$2,574	\$817	\$597	\$551,590	\$2,272	\$1,885	\$58,143	\$611,681	\$32,720	\$25,382
921	Tenant Services - Salaries	\$0	\$0	\$0	\$0	\$207,268	\$0	\$35,776	\$0	\$0	\$103,248	\$0
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$0	\$116,641	\$0	\$13,924	\$0	\$0	\$38,748	\$0
924	Tenant Services - Other	\$0	\$0	\$0	\$0	\$43,584	\$0	\$18,754	\$0	\$0	\$60,286	\$0
931	Water	\$0	\$0	\$0	\$0	\$383,392	\$0	\$0	\$0	\$0	\$1,543	\$5,011
932	Electricity	\$0	\$0	\$0	\$0	\$619,316	\$0	\$0	\$0	\$0	\$7,812	\$17,279
933	Gas	\$0	\$0	\$0	\$0	\$1,490,087	\$0	\$0	\$0	\$0	\$19,795	\$25,413
938	Other Utilities Expense	\$0	\$0	\$0	\$0	\$429,808	\$0	\$0	\$0	\$0	\$1,895	\$14,852
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$0	\$0	\$1,499,563	\$0	\$0	\$0	\$0	\$0	\$0
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$0	\$0	\$498,760	\$0	\$0	\$9,450	\$0	\$981	\$166,937
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$0	\$0	\$0	\$1,781,442	\$0	\$0	\$0	\$0	\$31,074	\$11,045
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$0	\$0	\$893,011	\$0	\$0	\$0	\$0	\$0	\$0
951	Protective Services - Labor	\$0	\$0	\$0	\$0	\$130,623	\$0	\$0	\$0	\$0	\$0	\$0
952	Protective Services - Other Contract Costs	\$0	\$0	\$0	\$0	\$18,518	\$0	\$0	\$0	\$0	\$0	\$0
953	Protective Services - Other	\$0	\$0	\$0	\$0	\$5,560	\$0	\$0	\$0	\$0	\$0	\$0
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$0	\$0	\$85,155	\$0	\$0	\$0	\$0	\$0	\$0
961	Insurance Premiums	\$0	\$398	\$177	\$31	\$701,539	\$20,005	\$0	\$69,951	\$0	\$21,766	\$11,395
962	Other General Expenses	\$0	\$0	\$5,138	\$0	\$22,173	\$0	\$0	\$3,739	\$0	\$486	\$35,133
963	Payments in Lieu of Taxes	\$0	\$0	\$0	\$0	\$147,841	\$0	\$0	\$0	\$0	\$19,959	\$0
964	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$0	\$70,299	\$0	\$0	\$0	\$0	\$2,785	\$0
965	Bad Debt - Mortgages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,500
966	Bad Debt - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,369
967	Interest Expense	\$0	\$0	\$0	\$0	\$8,783	\$0	\$0	\$0	\$0	\$19,882	\$40,640
968	Severance Expense	\$0	\$0	\$0	\$0	\$57,718	\$0	\$0	\$0	\$0	\$0	\$0
969	Total Operating Expenses	\$22,350	\$44,173	\$27,233	\$3,977	\$11,820,132	\$41,990	\$102,101	\$742,379	\$1,831,981	\$717,644	\$401,749
970	Excess Operating Revenue over Operating Expenses	\$98	\$1,565,482	\$272,698	\$80,070	(\$1,296,347)	\$328,225	\$0	\$6,341,435	\$3,060,355	\$201,674	\$293,834
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$0	\$0	\$38,172	\$0	\$0	\$0	\$0	\$0	\$0
973	Housing Assistance Payments	\$0	\$1,515,503	\$270,056	\$71,296	\$0	\$331,924	\$0	\$6,340,264	\$0	\$12,256	\$0
974	Depreciation Expense	\$0	\$0	\$0	\$0	\$4,524,738	\$0	\$0	\$10,021	\$0	\$103,694	\$39,640
900	Total Expenses	\$22,350	\$1,559,676	\$297,289	\$75,273	\$16,383,042	\$373,914	\$102,101	\$7,092,664	\$1,831,981	\$833,594	\$441,389
OTHER FINANCING SOURCES (USES)												
1001												
1002	Operating Transfers In	\$0	\$0	\$0	\$0	\$1,156,191	\$0	\$0	\$0	\$0	\$351,718	\$0
1010	Operating Transfers Out	\$0	\$0	\$0	\$0	(\$351,718)	\$0	\$0	\$0	(\$1,156,191)	\$0	\$0
1000	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$804,473	\$0	\$0	\$0	(\$1,156,191)	\$351,718	\$0
	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$98	\$49,979	\$2,642	\$8,774	(\$5,054,784)	(\$3,699)	\$0	(\$8,850)	\$1,904,164	\$437,442	\$254,194

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
MARCH 31, 2005**

Line Item No.	Account Description	Housing Counseling Assistance Program	N/C S/R Section 8 Programs	Shelter Plus Care	HOME Investment Partnerships Program	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat OH018MR0001	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$215,396	\$0	\$0	\$0	\$0	\$0	\$0	\$215,396
1103	Beginning Equity	(\$1,473)	\$441,862	\$4,501	\$0	\$68,682,112	(\$424,705)	\$0	\$375,824	\$6,364,852	\$1,099,739	\$573,546	\$77,116,258
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$1,375	\$0	\$0	\$34,655	\$3,017,533	(\$1,369)	\$0	(\$21,342)	(\$1,212,681)	\$0	(\$173,005)	\$1,645,166
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$439,246	\$0	\$0	\$0	\$263,198	\$0	\$6,879,621	\$0	\$0	\$0	\$7,582,065
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$4,035,877	\$0	\$0	\$0	\$4,638,053	\$0	\$526,466	\$0	\$0	\$0	\$9,200,396
1116	Total Annual Contributions Available	\$0	\$4,475,123	\$0	\$0	\$0	\$4,901,251	\$0	\$7,406,087	\$0	\$0	\$0	\$16,782,461
1120	Unit Months Available	0	4,332	1,200	300	30,468	1,116	0	18,012	0	1,104	564	57,096
1121	Number of Unit Months Leased	0	4,316	847	170	29,691	465	0	17,755	0	569	544	54,357

**STARK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CAPITAL GRANTS - COMPLETED
FOR THE TWELVE MONTHS ENDED MARCH 31,2005**

Annual Contributions Contract C-838

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

	Capital Grant <u>OH12PO1850101</u>
<u>Project OH</u>	
Funds Approved	\$ 5,283,492
Funds Expended	<u>5,283,492</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 5,283,492
Funds Expended	<u>5,283,492</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

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

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

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Ohio Society of Certified Public Accountants

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

Board of Directors
Stark Metropolitan Housing Authority
Canton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Stark Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2005, which collectively comprise the Stark Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

However, we noted certain matters that we have reported to the management of the Stark Metropolitan Housing Authority, Ohio, in a separate letter dated November 30, 2005.

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

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

November 30, 2005

JAMES G. ZUPKA, C.P.A., INC.
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Stark Metropolitan Housing Authority
Canton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Stark Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended March 31, 2005. Stark Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants, applicable to each of its major federal programs is the responsibility of the Stark Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, Stark Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005.

Internal Control Over Compliance

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

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

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

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

November 30, 2005

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
MARCH 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

2005(i)	Type of Financial Statement Opinion	Unqualified
2005(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2005(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2005(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2005(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2005(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2005(v)	Type of Major Programs' Compliance Opinion	Unqualified
2005(vi)	Are there any reportable findings under .510?	No
2005(vii)	Major Programs (list): Public Housing - CFDA #14.850 Capital Fund - CFDA #14.872	
2005(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$613,387 Type B: > all others
2005(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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Betty Montgomery**

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STARK METROPOLITAN HOUSING AUTHORITY

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2005**