

Stark Metropolitan Housing Authority

Financial Statements

For the Year Ended March 31, 2009



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Stark Metropolitan Housing Authority, Stark County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period April 1, 2008 through March 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 26, 2009

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STARK METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2009

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Independent Auditors' Report

Board of Directors
Stark Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Stark Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2009, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Stark Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of the component units of Stark Metropolitan Housing Authority (see Note 1C for a description), which statements reflect total assets constituting 3.6% of the total assets at March 31, 2009, and total operating revenues constituting 2.4% of total operating revenues for the year then ended. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the component units, is based solely on the report of such other auditors.

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

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely component units of the Stark Metropolitan Housing Authority, Ohio, as of March 31, 2009, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 24, 2009, on my consideration of Stark Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be consider in conjunction with this report in considering the results of my audit.

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

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

Salvatore Consiglio, CPA, Inc.
July 24, 2009

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Year ended March 31, 2009
(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, 2009 activities, resulting changes and currently known facts as it related to the primary government. Component unit activity is excluded from the figures discussion unless specifically mentioned. Please read this in conjunction with the Authority's financial statements (beginning on page 14).

FINANCIAL HIGHLIGHTS

- The Authority's net assets decreased by \$.54 million (or .77%) during 2009. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$69.87 million and \$69.33 million for 2008 and 2009 respectively.
- Total revenues increased by \$1.36 million (or 5%) during 2009, and were \$26.39 million and \$27.75 million for 2008 and 2009 respectively.
- The total expenses of all Authority programs increased by \$1.6 million (or 5.5%). Total expenses were \$28.93 million and \$30.53 million for 2008 and 2009 respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

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

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

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Year ended March 31, 2009
(Unaudited)

Authority-Wide Financial Statements

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

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

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

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

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

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

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

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

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

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Year ended March 31, 2009
(Unaudited)

Fund Financial Statements

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

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Programs

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

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

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

Other Programs – The housing authority operates various other programs:

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

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

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

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

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

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

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

Stark Metropolitan Housing Authority			
	2009		2008
Current Assets	\$ 7.78	\$	13.61
Capital Assets	75.66		70.89
Noncurrent Assets	0.14		0.44
Total Assets	\$ 83.58	\$	84.94
Current Liabilities	\$ 2.58	\$	2.70
Long-Term Liabilities	11.67		12.37
Total Liabilities	14.25		15.07
Net Assets:			
Investment in Capital Assets, net of Related Debt	63.95		58.01
Restricted Net Assets	1.85		7.70
Unrestricted Net Assets	3.53		4.16
Total Net Assets	69.33		69.87
Total Liabilities and Net Assets	\$ 83.58	\$	84.94

STARK METROPOLITAN HOUSING AUTHORITY
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<u>Component Units</u>				
	<u>2009</u>		<u>2008</u>	
Current Assets	\$	0.72	\$	0.57
Capital Assets		1.60		1.48
Noncurrent Assets		0.80		0.86
Total Assets	\$	<u>3.12</u>	\$	<u>2.91</u>
Current Liabilities	\$	0.39	\$	0.28
Long-Term Liabilities		2.24		2.09
Total Liabilities		<u>2.63</u>		<u>2.37</u>
Net Assets:				
Investment in Capital Assets, net of Related Debt		0.58		0.42
Restricted Net Assets		-		-
Unrestricted Net Assets		(0.09)		0.12
Total Net Assets		<u>0.49</u>		<u>0.54</u>
Total Liabilities and Net Assets	\$	<u>3.12</u>	\$	<u>2.91</u>

For more detailed information see the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

During 2009, current assets decreased by \$5.83 million, and current liabilities decreased by \$.12 million. Current assets primarily increased due to expenditure of restricted cash from issuance of bonds for capital improvements utilizing HUD's Capital Funds Financing Program. Mortgage receivables decreased \$.52 million due to writing off 2nd mortgages associated with the 5(h) Homeownership program for participants reaching the 10 year requirement.

Capital assets also changed, increasing from \$70.89 million to \$75.66 million. The \$4.77 million increase may be attributed primarily to a combination of net acquisitions of \$8.32 million, less current year depreciation and amortization of \$5.23 million, plus a prior period adjustment of \$1.68 million. For more detail see Table 5 "Capital Assets and Debt Administration" below.

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Table 2 presents details on the change in Unrestricted Net Assets

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

<u>Stark Metropolitan Housing Authority</u>			
	Investment in	Restricted	Unrestricted
	Capital Assets	Net Assets	Net Assets
Beginning Balance - March 31, 2008	\$ 58.01	\$ 7.70	\$ 4.16
Results of Operation			(2.78)
Adjustments:			
Current year Depreciation Expense (1)	(5.23)	-	5.23
Capital Expenditure (2)	10.00	-	(10.00)
Current year Debt Activities, Net	1.17	-	(1.17)
Prior Period Adjustment	-	-	2.25
Transfer to Restricted Net Assets	-	(5.85)	5.85
Rounding Adjustment	-	-	(0.01)
Ending Balance - March 31, 2009	\$ 63.95	\$ 1.85	\$ 3.53

<u>Component Unit</u>			
	Investment in	Restricted	Unrestricted
	Capital Assets	Net Assets	Net Assets
Beginning Balance - March 31, 2008	\$ 0.42	\$ -	\$ 0.12
Results of Operation	-	-	(0.03)
Adjustments:			
Current year Depreciation Expense (1)	(0.07)	-	0.07
Capital Expenditure net of Disposals(2)	0.19	-	(0.19)
Current year Debt Activities, Net	0.04	-	(0.04)
Rounding Adjustments	-	-	(0.02)
Ending Balance - March 31, 2009	\$ 0.58	\$ -	\$ (0.09)

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

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(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted.

While the Results of Operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged in only business-type activities.

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

Stark Metropolitan Housing Authority			
	<u>2009</u>		<u>2008</u>
<u>Revenues</u>			
Total Tenant Revenues	\$ 5.30	\$	5.03
Operating Subsidies	19.30		19.01
Capital Grants	2.34		1.23
Investment Income	0.37		0.79
Other Revenues	0.44		0.33
Total Revenues	27.75		26.39
<u>Expenses</u>			
Administrative	5.31		5.33
Tenant Services	0.04		0.08
Utilities	3.91		3.24
Maintenance	5.50		5.21
Protective Services	0.03		0.20
General and Interest Expenses	1.86		1.16
Housing Assistance Payments	8.09		8.36
Depreciation	5.23		5.27
Other	0.56		0.08
Total Expenses	30.53		28.93
Net Increases (Decreases)	\$ (2.78)	\$	(2.54)

STARK METROPOLITAN HOUSING AUTHORITY
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<u>Component Units</u>				
		<u>2009</u>		<u>2008</u>
<u>Revenues</u>				
Total Tenant Revenues	\$	0.34	\$	0.32
Operating Subsidies		0.18		0.20
Investment Income		0.11		0.12
Other Revenues		0.10		0.10
Total Revenues		0.73		0.74
<u>Expenses</u>				
Administrative		0.20		0.19
Utilities		0.08		0.07
Maintenance		0.12		0.12
General and Interest Expenses		0.29		0.25
Depreciation		0.07		0.07
Total Expenses		0.76		0.70
Net Increases (Decreases)	\$	(0.03)	\$	0.04

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

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

Tenant revenue increased slightly during 2009 in comparison to 2008. Operating subsidies and Capital Grants also increased during the fiscal year. Total revenue over all increased.

Administrative expense decreased by \$.02 million primarily due to an increase in compensated absence expense. Utility expense increased \$.67 million. Ordinary maintenance expense increased \$.29 million and protective services decreased \$.17 million. General expenses increased \$.70 million primarily due to additional interest expense associated with the bond issue. Depreciation decreased \$.04 million and other expenses increased \$.48 million. The Authority continues to reduce natural gas expenses through a special rate negotiation initiative.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
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(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year end, the Authority had \$75.66 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$4.77 million or 6.73% from the end of last year.

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

Stark Metropolitan Housing Authority			
	2009		2008
Land and Land Rights	\$ 15.67	\$	15.67
Buildings and Improvements	130.38		130.01
Equipment	4.12		4.11
Accumulated Depreciation	(89.20)		(83.98)
Construction in Progress	14.69		5.08
Total	\$ 75.66	\$	70.89

Component Units			
	2009		2008
Land and Land Rights	\$ 0.18	\$	0.18
Buildings	1.70		1.51
Equipment	0.05		0.05
Accumulated Depreciation	(0.33)		(0.26)
Total	\$ 1.60	\$	1.48

The following reconciliation summarizes the change in Capital Assets.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
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(Unaudited)

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

Table 5 - Changes in Capital Assets			
		<u>SMHA</u>	<u>Component Unit</u>
Beginning Balance - March 31, 2008	\$	70.89	\$ 1.48
Current Year Additions		8.32	0.19
Prior Year Adjustment		1.68	-
Current year Depreciation Expense		(5.23)	(0.07)
Ending Balance - March 31, 2009	\$	<u>75.66</u>	<u>\$ 1.60</u>

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

Debt Outstanding

As of year-end, the Authority had \$11.72 million in debt (bonds, notes, etc.) outstanding compared to \$12.89 million last year, a \$1.17 million decrease. The current year decrease represent portion of debt retired during the year. There was no new debt issued for the year.

TABLE 6
Outstanding Debt
(in millions of dollars)

Table 6 - Condensed Statement of Changes in Debt Outstanding			
		<u>SMHA</u>	<u>Component Unit</u>
Beginning Balance - March 31, 2008	\$	12.89	\$ 1.06
Current Year Debt Issued		-	-
Current Year Principal Payments		(1.17)	(0.04)
Ending Balance - March 31, 2009	\$	<u>11.72</u>	<u>\$ 1.02</u>

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
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(Unaudited)

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

STARK METROPOLITAN HOUSING AUTHORITY		
Statement of Net Assets		
Proprietary Funds		
March 31, 2009		
	<i>Primary Government</i>	<i>Component Units</i>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,527,507	\$ 237,211
Restricted cash and cash equivalents	2,261,002	13,484
Investments	-	246,940
Receivables, net	1,284,600	200,726
Inventories, net	344,869	-
Prepaid expenses and other assets	362,324	23,620
Total current assets	7,780,302	721,981
Noncurrent assets		
Capital assets:		
Land	15,666,247	185,200
Building and equipment	134,510,483	1,748,550
Construction in Progress	14,690,233	-
Less accumulated depreciation	(89,201,882)	(327,030)
Capital assets, net	75,665,081	1,606,720
Other noncurrent assets	141,300	799,362
Total noncurrent assets	75,806,381	2,406,082
Total assets	\$ 83,586,683	\$ 3,128,063
LIABILITIES		
Current liabilities		
Accounts payable	\$ 365,582	\$ 330,192
Accrued liabilities	506,738	-
Intergovernmental payables	140,285	-
Tenant security deposits	409,646	13,484
Deferred revenue	319,681	1,645
Bonds, notes, and loans payable	837,316	46,049
Other current liabilities	1,679	-
Total current liabilities	2,580,927	391,370

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

STARK METROPOLITAN HOUSING AUTHORITY		
Statement of Net Assets (Continued)		
Proprietary Funds		
March 31, 2009		
	<i>Primary Government</i>	<i>Component Units</i>
Noncurrent liabilities		
Bonds, notes, and loans payable	10,876,266	975,964
Accrued compensated absences non-current	795,870	-
Noncurrent liabilities - other	-	1,262,737
<i>Total noncurrent liabilities</i>	<i>11,672,136</i>	<i>2,238,701</i>
Total liabilities	\$ 14,253,063	\$ 2,630,071
<i>NET ASSETS</i>		
Invested in capital assets, net of related debt	\$ 63,951,499	\$ 584,707
Restricted net assets	1,851,356	-
Unrestricted net assets	3,530,765	(86,715)
Total net assets	\$ 69,333,620	\$ 497,992

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

STARK METROPOLITAN HOUSING AUTHORITY		
Statement of Revenues, Expenses, and Changes in Fund Net Assets		
Proprietary Funds		
For the Year Ended March 31, 2009		
	<i>Primary Government</i>	<i>Component Units</i>
<i>OPERATING REVENUES</i>		
Tenant Revenue	5,299,710	335,697
Government operating grants	19,289,043	183,681
Other revenue	439,914	95,773
Total operating revenues	25,028,667	615,151
<i>OPERATING EXPENSES</i>		
Administrative	5,314,893	201,222
Tenant services	38,871	-
Utilities	3,910,420	81,213
Maintenance	5,497,932	122,927
Protective services	32,787	-
General	1,105,528	233,307
Housing assistance payment	8,094,317	-
Other operating expenses	37,686	-
Depreciation	5,227,207	64,517
Total operating expenses	29,259,641	703,186
Operating income (loss)	(4,230,974)	(88,035)
<i>NONOPERATING REVENUES (EXPENSES)</i>		
Interest and investment revenue	373,387	112,462
Interest expense	(757,106)	(62,298)
Total nonoperating revenues (expenses)	(383,719)	50,164
Income (loss) before contributions and transfers	(4,614,693)	(37,871)
Capital grants	2,341,501	-
Extraordinary items (gain/loss)	(516,906)	-
Change in net assets	(2,790,098)	(37,871)
Total net assets - beginning	72,123,718	535,863
Total net assets - ending	\$ 69,333,620	\$ 497,992

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

STARK METROPOLITAN HOUSING AUTHORITY		
Statement of Cash Flows		
Proprietary Funds		
For the Year Ended March 31, 2009		
	<i>Primary Government</i>	<i>Component Units</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating grants received	\$18,904,729	\$183,681
Tenant revenue received	5,299,779	347,406
Other revenue received	396,801	53,311
Housing assistance payments made	(8,094,317)	0
General and administrative expenses paid	(15,445,715)	(278,674)
Net cash provided (used) by operating activities	1,061,277	305,724
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grant funds received	2,341,501	0
Property and equipment purchased	(8,321,844)	(190,231)
Principal payment on debt	(1,107,546)	(43,533)
Interest payment on debt	(584,406)	(62,298)
Net cash provided (used) by capital and related financing activities	(7,672,295)	(296,062)
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfers from/to investments	656,836	(244,495)
Interest received	373,387	112,462
Proceeds from sale of investments	516,906	0
Net cash provided (used) by investing activities	1,547,129	(132,033)
Net increase (decrease) in cash	(5,063,889)	(122,371)
Cash and cash equivalents - Beginning of year	10,852,398	359,582
Cash and cash equivalents - End of year	\$5,788,509	\$237,211

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

STARK METROPOLITAN HOUSING AUTHORITY		
Statement of Cash Flows (Continued)		
Proprietary Funds		
For the Year Ended March 31, 2009		
	<i>Enterprise Fund</i>	<i>Component Units</i>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	(\$4,230,974)	(\$88,035)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities		
- Depreciation	5,227,207	64,517
- (Increases) Decreases in Accounts Receivable	(318,692)	(32,452)
- (Increases) Decreases in Inventory	54,073	0
- (Increases) Decreases in Prepaid Assets	153,058	655
- (Increases) Decreases in Other Noncurrent Asset	0	57,541
- Increases (Decreases) in Accounts Payable	40,349	281,414
- Increases (Decreases) in Accrued Wages and Taxes Payable	41,576	0
- Increases (Decreases) in Compensated Absences Payable	131,383	0
- Increases (Decreases) in Deferred Revenue	96,080	(1,042)
- Increases (Decreases) in Other Current Liabilities	(27,875)	(175,633)
- Increases (Decreases) in Tenant Security Deposits	15,318	2,282
- Increases (Decreases) in Other Non-Current Liabilities	0	196,477
- Increases (Decreases) in Payable to Government	(120,226)	0
Net cash provided by operating activities	<u>\$1,061,277</u>	<u>\$305,724</u>

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

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity and Programs

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

B. Summary of Significant Accounting Policies

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

C. Reporting Entity

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)

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

C. Reporting Entity (Continued)

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

Discretely Presented Component Units

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

The Freed Housing Corporation (the Corporation) is a legally separate, non-profit organization, served by a board composed of local officials and community representatives. They are charged with the responsibilities of advancing, encouraging and promoting housing and related services to low and moderate income persons in the Stark County area. The Corporation is empowered with the ability to carry out the actions they consider necessary to achieve these responsibilities. Due to the nature and significance of the Corporation's relationship to the Authority, the Corporation is presented as a component unit of the Authority. The Corporation has elected not to apply GASB Statement 29 since they have applied the AICPA not for-profit model. Separately issued audited financial statements can be obtained from the Authority.

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

The Stark Metropolitan Housing Authority Credit Union is a federal credit union chartered under the laws of the United States. The purpose of the credit union is to provide its members the opportunity to accumulate savings and to create a source of credit for them. Separately issued financial statements can be obtained from the Authority. Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)**

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

D. Fund Accounting

The Authority uses enterprise funds to report on its financial position and the results of its operations for the Section 8 and public housing programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

E. Proprietary Fund Types

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

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

F. Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. The Authority will continue applying all applicable pronouncements issued by the *Governmental Accounting Standards Board*.

G. Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Investment income earned in fiscal year 2009 totaled \$373,387 for the primary government and \$112,462 for the component unit.

H. Capital Assets

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

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)**

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

In the current fiscal year, the Board of Commissioners increased the threshold amount for capitalization from \$500 to 5,000.

The estimated useful lives for each major class of depreciable assets are as follows:

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

I. Cash and Cash Equivalents

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

J. Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount. Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: **(1)** the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee; and **(2)** it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

K. Capital Contributions

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

L. Budgetary Accounting

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)

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

M. Estimates

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

NOTE 2: **DEPOSITS AND INVESTMENTS**

In 2006, the Authority adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This new standard revised the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on net assets and change in net assets in the prior or current year.

A. Deposits

State statutes classify monies held by the Authority into three categories. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. At year-end, the carrying amount of the Authority's deposits was \$5,788,509 (including \$2,261,002 of restricted funds which includes \$1,352,117 of nonnegotiable certificates of deposit and \$1,410 of petty cash).

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits of the primary government totaling \$146,168 were covered by National Credit Union Share Insurance

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)

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

Fund, deposits totaling \$502,306 were covered by Federal Depository Insurance, and deposits totaling \$5,827,745 were uninsured and collateralized with securities held by the financial institution's trust department or agent, but not in the Authority's name.

B. Investments

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value.

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)**

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

B. Investments (Continued)

Concentration of Credit Risk

Generally, the Authority places no limit on the amount it may invest in any one insurer. However, the investment policy limits the investment of HUD-approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represents 100 percent of its deposits.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

Reconciliation of the primary government's cash and cash equivalents and investments is as follows:

	Cash and Cash Equivalent	Investments
Per Statement of Net Assets	\$5,788,509	\$0
Certificate of Deposits	0	(0)
Per GASB Statement No. 3	\$5,788,509	\$0

C. Component Unit

At year end, the carrying amount of the component units investments and deposits was \$497,635, of this amount \$250,000 was covered by FDIC insurance and the balance was covered by a pledged collateral pool. Investments of the component unit consisted of money market funds at a local financial institution. Of these funds, the entire \$246,940 was covered by FDIC insurance.

NOTE 3: **RESTRICTED CASH**

Restricted cash balance as of March 31, 2009 represents cash on hand for the following:

	Primary Government	Component Unit
Tenant Security Deposit	\$409,646	\$13,484
Restricted HAP Cash	208,364	0
Bond Proceeds to be used for Capital Improvement	1,642,992	0
Total Restricted Cash	\$2,261,002	\$13,484

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)

NOTE 4: INSURANCE COVERAGE

The Authority is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is covered for property damage and general liability through the Housing Authority Insurance Company. Auto liability and auto physical damage are covered through separate insurance companies. Deductible and coverage limits are summarized below:

	Deductible	Coverage Limits
Property	\$10,000	\$193,201,357
General Liability	\$5,000	\$5,000,000
Auto Liability	\$0	\$1,000,000
Auto Physical Damage	\$500	ACV
Commercial Inland Marine	\$13,000	\$130,000
Lead Inspectors' Professional Liability	\$5,000	\$1,000,000
Boiler and Machinery	\$10,000	\$50,000,000

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

NOTE 5: CAPITAL ASSETS

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

	Primary Government	Component Units	Total
<i>Capital Assets Not Depreciated:</i>			
Land	\$15,666,247	\$185,200	\$15,851,447
Construction in Progress	14,690,233	0	14,690,233
Total Capital Assets Not Depreciated	30,356,480	185,200	30,541,680
<i>Capital Assets Being Depreciated:</i>			
Building and Building Improvements	130,378,718	1,699,030	132,077,748
Furniture and Equipment Dwelling	4,131,765	49,520	4,181,285
Accumulated Depreciation	(89,201,882)	(327,030)	(89,528,912)
Total Capital Assets Being Depreciated	45,308,601	1,421,520	46,730,121
Total Capital Assets	\$75,665,081	\$1,606,720	\$77,271,801

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)

NOTE 5: CAPITAL ASSETS (Continued)

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

	Balance 03/31/08	Adjust	Additions	Deletion	Balance 03/31/09
Capital Assets Not Being Depreciated:					
Land	\$15,666,247	\$0	\$0	\$0	\$15,666,247
Construction in Progress	5,075,243	1,311,471	8,303,519	0	14,690,233
Total Capital Assets Not Being Depreciated	20,741,490	1,311,471	8,303,519	0	30,356,480
Capital Assets Being Depreciated:					
Buildings	130,010,979	367,739	0	0	130,378,718
Furnt, Mach. and Equip	4,113,440	0	18,325	0	4,131,765
Total Capital Assets Being Depreciated	134,124,419	367,739	18,325	0	134,510,483
Accumulated Depreciation:					
Buildings	(83,602,293)	0	(5,199,944)	0	(88,802,237)
Furnt, Mach. and Equip -	(372,382)	0	(27,263)	0	(399,645)
Total Accumulated Depreciation	(83,974,675)	0	(5,227,207)	0	(89,201,882)
Total Capital Assets Being Depreciated, Net	50,149,744	367,739	(5,208,882)	0	45,308,601
Total Capital Assets, Net	\$70,891,234	\$1,679,210	\$3,094,637	\$0	\$75,665,081

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)

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

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

	Balance 03/31/08	Adjust	Additions	Deletion	Balance 03/31/09
Capital Assets Not Being Depreciated:					
Land	\$185,200	\$0	\$0	\$0	\$185,200
Total Capital Assets Not Being Depreciated	185,200	0	0	0	185,200
Capital Assets Being Depreciated:					
Buildings	1,508,799	0	190,231	0	1,699,030
Furnt, Mach. and Equip	49,520	0	0	0	49,520
Total Capital Assets Being Depreciated	1,558,319	0	190,231	0	1,748,550
Accumulated Depreciation:					
Buildings	(214,390)	(1)	(58,487)	0	(272,878)
Furnt, Mach. and Equip -	(48,122)	0	(6,030)	0	(54,152)
Total Accumulated Depreciation	(262,512)	(1)	(64,517)	0	(327,030)
Total Capital Assets Being Depreciated, Net	1,295,807	(1)	125,714	(0)	1,421,520
Total Capital Assets, Net	\$1,481,007	\$(1)	\$125,714	(\$0)	\$1,606,720

NOTE 6: **DEFINED BENEFIT PENSION PLANS**

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

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)

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

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

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The 2008 employer pension contribution rate for Authority was 14 percent of covered payroll. Contributions are authorized by state statute. The contribution rates are determined actuarially. Contributions to PERS for the years ended March 31, 2009, 2008, and 2007 \$611,335, \$586,156 and \$345,926 respectively. Ninety-three percent has been contributed for 2008-2009. All required contributions for the two previous years have been paid.

NOTE 7: **POSTEMPLOYMENT BENEFITS**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2008 employer contribution rate (identified above) that was used to fund health care was 5.0 percent, which amounted to \$218,334. The significant

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)

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

actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2007. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2007 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5% to 4% for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,076. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2007 was \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 billion, respectively.

OPERS Retirement Board Implemented its Health Care Preservation Plan (HCPP). HCPP was adopted on September 9, 2004, and is effective on January 1, 2007. In addition, OPERS created a separate investment pool for health care assets. Members and employers contribution rates increases in January 1, 2006, 2007, and 2008 will allow additional funds to be allocated to the health care plan.

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

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

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)**

NOTE 9: COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws. All permanent employees earn 4.6 hours sick leave per eighty (80) hours of service. Unused sick leave may be accumulated without limit. At the time of separation, if an employee or retiree qualifies under OPERS and was hired prior to April 1, 2008, the employee will be eligible to receive payment for 50 percent of their accumulated sick leave balance. This payment is reduced from 50 percent to 33.33 percent for employees hired on or after April 1, 2008. All permanent employees earn vacation hours accumulated based on length of service. All vacation time earned may be accumulated up to 3 times the annual amount that can be accrued in a calendar year.

The following is a summary of changes in compensated absences for the year ended December 31, 2008:

Description	Balance 03/31/08	Increase	Decrease	Balance 03/31/08	Due Within One Year
Liability Amount	\$843,568	\$193,215	\$ 61,832	\$974,951	\$179,081

NOTE 10: LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations during fiscal year 2009 are as follows:

	Balance 03/31/08	Additions	Deletions	Balance 03/31/09	Due within One Year
General Long-Term Obligations					
<i>Primary Government</i>					
Long-Term Debt:					
United National Bank and Trust – 07/09/99 4.44%	\$116,935	\$0	\$76,817	\$40,118	\$40,118
FirstMerit – Hillview Apts – 08/07/02 5.15%	248,813	0	52,550	196,263	58,921
FirstMerit – Cleveland Ave 11/22/06 5.02%	959,916	0	41,748	918,168	33,503
Fifth Third – Equipment Lease 05/22/06 7.57%	2,538,037	0	164,164	2,373,873	114,774
Local Initiative Support – Knights of Columbus Renovation 7%	1,400,000	0	500,000	900,000	350,000
Ohio Housing Finance Agency – Serial Bonds 07/17/07 3.9% - 4.67%	7,615,160	0	330,000	7,285,160	240,000
Total Primary Government	\$12,878,861	\$0	\$1,165,279	\$11,713,582	\$837,316

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)**

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

	Balance 03/31/08	Additions	Deletions	Balance 03/31/09	Due within One Year
<i>Component Units</i>					
Freed Housing Corporation, (Various Notes)	\$637,424	\$0	\$12,082	\$625,342	\$12,951
Washington Area Housing Agency, LLC	428,122	0	31,451	396,671	33,098
Total Component Units	\$1,065,546	\$0	\$43,533	\$1,022,013	\$46,049

The Authority was obligated on the following notes as of March 31, 2009:

United National Bank and Trust

Note dated July 9, 1999; due July, 2009; payable in monthly installments of \$9,808 including interest at a fixed rate of 4.44%. The note was issued for the purchase of refrigerators for Public Housing Units.

\$ 40,118

First Merit Bank

Note dated August 7, 2002; due July 2013; payable in monthly installments of \$5,340 including interest at a fixed rate of 5.15%. The note was issued to fund project costs of improvements to Hillview Apartments.

196,263

First Merit Bank

Note dated November 22, 2006; payable in monthly installments of \$6,611, including interest at a fixed rate of 5.02% with the note due December 2014. The note is issued for purchase and improvements of property at 601 Cleveland Avenue North,

918,168

Fifth Third Bank

Note dated May 22, 2006; due January 2017; payable in monthly installments of \$24,176 in principal plus interest at a fixed rate of 7.57%. The note was issued for the purpose of making energy efficiency improvements associated with the Canton Senior Center construction project.

2,373,873

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)**

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

Local Initiative Support Consortium

Note dated February 8, 2007, due September 2011, payable in annual installments of \$350,000 principal and interest at a fixed rate of 7%. The note was issued to support the renovation of the former Knights of Columbus building.

900,000

Ohio Housing Finance Agency

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

7,285,160

Total

\$ 11,713,582

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

	Principal	Interest	Total
March 31, 2010	\$837,316	\$595,272	\$1,432,588
2011	1,012,477	585,442	1,597,919
2012	487,041	521,741	1,008,782
2013	465,634	495,172	960,806
2014	476,313	469,426	945,739
2015 – 2019	4,049,641	1,597,112	5,646,753
2020 – 2024	2,085,000	796,375	2,881,375
2025 - 2028	2,300,160	216,750	2,516,910
Total	<u>\$11,713,582</u>	<u>\$5,277,290</u>	<u>\$16,990,872</u>

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)**

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

The debt schedule for the component units is as follows:

Freed Housing:	
First Merit Bank - Line of Credit	\$150,000
First Merit Bank - Promissory Note - Principal Amount \$187,000, Interest Rate of 6.3%	169,432
First Merit Bank - Promissory Note - Principal Amount \$97,000, Interest Rate of 8.0%	86,156
First Merit Bank - Promissory Note - Principal Amount \$50,000, Interest Rate of 7.21%	43,881
First Merit Bank - Promissory Note - Principal Amount \$99,500 - Interest Rate of 7.1%	83,796
First Merit Bank - Promissory Note - Principal Amount \$50,000 - Interest Rate of 7.1%	43,427
First Merit Bank - Promissory Note - Principal Amount \$52,400 - Interest Rate of 7.68%	48,650
Washington Area Housing Agency LLC	<u>396,671</u>
Total	<u>\$1,022,013</u>

Amortization of the debt was not available.

NOTE 11: **LITIGATION**

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

NOTE 12: **CHANGES IN FUND NET ASSETS**

The Authority (primary government) made the following adjustments to fund net assets in fiscal year 2009:

- \$1,917,954 Adjustment to cumulative hard & soft costs in Capital Fund program
- \$336,630 Debt service payment on bonds issued through Capital Fund Financing Program

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(CONTINUED)

NOTE 13: CONDENSED FINANCIAL STATEMENT INFORMATION –
COMPONENT UNITS

	<u>Freed Housing Corporation</u>	<u>Washington Area Housing LLC</u>	<u>Stark MHA Credit Union</u>	<u>Totals</u>
<u>Balance Sheet</u>				
Current Assets	\$ 129,412	\$ 62,834	\$ 529,735	\$ 721,981
Capital Assets	1,169,152	437,078	490	1,606,720
Other Assets	0	0	799,362	799,362
Current Liabilities	324,001	66,277	1,092	391,370
Non-Current Liabilities	612,391	363,573	1,262,737	2,238,701
Net Assets	362,172	70,062	65,758	497,992
<u>Revenues Expenses and Change in Equity</u>				
Total Revenue	\$ 281,538	\$ 270,024	\$ 176,051	\$ 727,613
Total Expenses	<u>344,488</u>	<u>247,058</u>	<u>173,938</u>	<u>765,484</u>
Excess of Revenue Over Expenses	<u>(\$62,950)</u>	<u>\$22,966</u>	<u>\$2,113</u>	<u>(\$37,871)</u>

Stark Metropolitan Housing Authority
Schedule of Expenditure of Federal Award
For the Year Ended March 31, 2009

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development		
Direct Program		
Section 8 Project Base Cluster:		
Section 8 New Construction Program	14.182	\$905,045
Section 8 Moderate Rehab. Single Room Occupancy	14.249	95,632
Section 8 Moderate Rehab	14.856	<u>375,161</u>
Total Section 8 Project Base Cluster Programs		1,375,838
Housing Counseling Assistance Program	14.169	32,146
Shelter Plus Care Program	14.238	456,206
Low Rent Public Housing Program	14.850	7,952,877
Resident Opportunity and Supportive Services	14.870	80,480
Housing Choice Voucher Program	14.871	7,321,378
Public Housing Capital Fund Program	14.872	<u>4,311,797</u>
Total Direct Awards		<u>21,530,722</u>
Passed Through Stark County		
HOME Investment Partnership Program	14.239	<u>74,297</u>
Total Expenditure of Federal Award		<u>\$21,605,019</u>



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

Board of Directors
Stark Metropolitan Housing Authority

I have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Stark Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2009, which collectively comprise the Stark Metropolitan Housing Authority basic financial statements and have issued my report thereon dated July 24, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. I did not audit the financial statements of the component units of the Stark Metropolitan Housing Authority, which statements reflect total assets of 3 percent of the total assets as of March 31, 2009 and total operating revenues constituting less than 3 percent of total operating revenues for the year then ended. These statements were audited by other auditors and these auditors have reported to you on the legal compliance and internal control over financial reporting of the component units. Accordingly, this report does not address the legal compliance and internal control over financial reporting of the component units of the Stark Metropolitan Housing Authority.

Internal Control Over Financial Reporting

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

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

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

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

I consider the following deficiency described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2009-SMHA-1.

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

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

Compliance and Other Matters

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

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

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

Salvatore Consiglio, CPA, Inc.

July 24, 2009



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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

Compliance

I have audited the compliance of the Stark Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2009. Stark Metropolitan Housing Authority, Ohio major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Stark Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Stark Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Stark Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2009. However, the result of my audit procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-SMHA-2 and 2009-SMHA-3.

Internal Control Over Compliance

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

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

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

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

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

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

Salvatore Consiglio, CPA, Inc.

July 24, 2009

Stark Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
March 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any significant deficiency reported as material weakness at the financial statement level (GAGAS)?	No
Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any significant deficiency reported for any major federal programs as material weakness?	No
Were there any other significant deficiency reported for the major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA # 14.850 Low Rent Public Housing Program; 14.871 Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$648,151 Type B: All Others
Low Risk Auditee?	No

Stark Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
March 31, 2009

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

FINDING NUMBER	2009-SMHA-1
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Significant Deficiency – Financial Statements

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

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

- 1. \$1,917,954 Adjustment to cumulative hard & soft costs in Capital Fund program.
- 2. \$336,630 Debt service payment on bonds issued through Capital Fund Financing Program.

Recommendation:

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

Corrective Action Plan:

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

Contact Person: Finance Director
Resolution Date: March 31, 2009

Stark Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
March 31, 2009

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

REPORTABLE NONCOMPLIANCE

FINDING NUMBER	2009-SMHA-2
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Compliance Finding – Reporting

U.S. Department of HUD

Low Rent Public Housing (CFDA # 14.850)

Housing Choice Voucher Program (CFDS # 14.871)

24 CFR section 135.3(a) and 135.90 requires that for each public and Indian housing grant that involves development, operating, or modernization assistance, the prime recipient must submit Form HUD 60002.

The result of audit procedure revealed that Stark Metropolitan Housing Authority (SMHA) had not filed the required form since 2006. Therefore, SMHA is not in compliance with the above regulation. Once this was brought to the PHA attention, the report was filed for all missing years.

Recommendation:

Since reports were filed, no further action is necessary.

Corrective Action Plan:

The required form will be filed when due in the future. The Executive Director will be responsible to oversee compliance with this requirement. The missing reports have been filed therefore this finding is considered closed.

Contact Person: Executive Director
Resolution Date: Resolved

Stark Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
March 31, 2009

FINDING NUMBER	2009-SMHA-3
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Compliance Finding – Tenant Participation Funds

U.S. Department of HUD

Low Rent Public Housing (CFDA # 14.850)

24 CFR section 964.150 requires that funding provided by a PHA to a duly elected resident council may be made only under a written agreement between the PHA and the resident council that includes a resident council budget. PHAs are permitted to fund \$25 per unit per year for units represented by duly elected resident councils for resident services. Of this \$25, \$15 per unit per year is provided to fund tenant participation activities. The agreement must require the local resident council to account to the PHA for the use of the funds and permit the PHA to inspect and audit the resident council's financial records related to the agreement.

Audit procedures over the resident council funds revealed that a detail budget on how these funds were to be spent was not provided. In addition, Stark Metropolitan Housing Authority did not receive or review bank statements, nor did it review any of the expenditures of the resident council. Therefore, I have concluded that SMHA does not have controls in place to ascertain that funds are properly spent by the counsel.

Recommendation:

Stark Metropolitan Housing Authority is responsible for these funds. In order to ascertain that funds are spent for allowable purpose, it must require that the resident council provide accounting records and supporting documentation for review.

Corrective Action Plan:

The Executive Director will be responsible to meet with the resident council board and setup procedures to review supporting documentation or require that the resident council obtain a separate independent audit of these funds. A copy of the audit report will be given to the housing authority to certify that the funds were properly expended.

Contact Person: Executive Director
Resolution Date: March 31, 2010

Stark Metropolitan Housing Authority
Schedule of Prior Audit Findings
March 31, 2009

The following are the status of the March 31, 2008 audit findings.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-SMHA -1	Financial Statement Reporting	No	Not Corrected – Finding repeated in current audit report. Prior period adjustments were necessary in current year statements.
2008-SMHA -2	Capitalization Policy	Yes	Corrected – A capitalization policy was adopted.
2008-SMHA-3	PH Tenant Files Errors	Yes	Corrected – Current year files reviewed revealed no errors.



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 5, 2009**