

**STARK METROPOLITAN HOUSING AUTHORITY**

**AUDIT REPORT**

**FOR THE YEAR ENDED MARCH 31, 2003**





**Auditor of State  
Betty Montgomery**

Board of Directors  
Stark Metropolitan Housing Authority  
Canton, OH 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, 2002 through March 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

November 13, 2003

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STARK METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED MARCH 31, 2003

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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 general purpose financial statements of Stark Metropolitan Housing Authority, as of and for the year ended March 31, 2003, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Stark Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Stark Metropolitan Housing Authority, as of March 31, 2003, and the results of its operations and the cash flows of its proprietary fund activities 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 October 30, 2003 on our consideration of Stark Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose 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 Schedule (FDS) and the Statement of Modernization/Development Cost Completed 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 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.

October 30, 2003

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James G. Zupka  
Certified Public Accountant



STARK METROPOLITAN HOUSING AUTHORITY  
 COMBINED BALANCE SHEET  
 PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS  
 FOR THE YEAR ENDED MARCH 31, 2003

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Memorandum Only)</u>
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 178,752	\$ 128,336	\$ 307,088
Investments	6,750,839	426,431	7,177,270
Accounts Receivable - Net of Allowance	1,418,244	243,763	1,662,007
Inventories - Net of Allowance	446,954	0	446,954
Deferred Charges and Other Assets	<u>326,842</u>	<u>14,774</u>	<u>341,616</u>
Total Current Assets	<u>9,121,631</u>	<u>813,304</u>	<u>9,934,935</u>
Non-Current Assets:			
Fixed Assets - Net of Accumulated Depreciation	74,346,115	823,296	75,169,411
Non-Current Assets:			
Notes and Mortgages Receivable	<u>2,137,230</u>	<u>0</u>	<u>2,137,230</u>
Total Non-Current Assets	<u>76,483,345</u>	<u>823,296</u>	<u>77,306,641</u>
<b>Total Assets</b>	<b><u>\$85,604,976</u></b>	<b><u>\$ 1,636,600</u></b>	<b><u>\$87,241,576</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Current Liabilities:			
Accounts Payable	\$ 235,995	\$ 282	\$ 236,277
Current Portion of Long-Term Debt	453,149	13,200	466,349
Intergovernmental Payable	1,439,981	185,367	1,625,348
Accrued Wages and Payroll Taxes	531,008	0	531,008
Tenant Security Deposits	325,444	4,077	329,521
Deferred Credits and Other Liabilities	<u>560,974</u>	<u>962,033</u>	<u>1,523,007</u>
Total Current Liabilities	<u>3,546,551</u>	<u>1,164,959</u>	<u>4,711,510</u>
Non-Current Liabilities:			
Long-Term Debt Net of Current	1,753,839	266,010	2,019,849
Other Long-Term Liabilities -			
Compensated Absences	<u>621,073</u>	<u>0</u>	<u>621,073</u>
Total Non-Current Liabilities	<u>2,374,912</u>	<u>266,010</u>	<u>2,640,922</u>
<b>Total Liabilities</b>	<b><u>5,921,463</u></b>	<b><u>1,430,969</u></b>	<b><u>7,352,432</u></b>
<b><u>FUND EQUITY</u></b>			
Contributed Capital	69,178,101	0	69,178,101
Retained Earnings - Unreserved	<u>10,505,412</u>	<u>205,631</u>	<u>10,711,043</u>
<b>Total Fund Equity</b>	<b><u>79,683,513</u></b>	<b><u>205,631</u></b>	<b><u>79,889,144</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$85,604,976</u></b>	<b><u>\$1,636,600</u></b>	<b><u>\$87,241,576</u></b>

See accompanying notes to the general purpose financial statements.

STARK METROPOLITAN HOUSING AUTHORITY  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
 PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS  
 FOR THE YEAR ENDED MARCH 31, 2003

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Memorandum (Only)</u>
<b><u>OPERATING REVENUES</u></b>			
Program Operating Grants/Subsidies	\$ 19,154,182	\$ 0	\$ 19,154,182
Tenant Revenues	4,400,007	51,591	4,451,598
Intergovernmental	621,940	135,018	756,958
Other Income	<u>665,240</u>	<u>29,417</u>	<u>694,657</u>
<b>Total Operating Revenues</b>	<u>24,841,369</u>	<u>216,026</u>	<u>25,057,395</u>
<b><u>OPERATING EXPENSES</u></b>			
Administrative	6,867,042	39,171	6,906,213
Tenant Services	668,679	0	668,679
Utilities Expenses	2,626,061	9,563	2,635,624
Ordinary Maintenance Operation	4,638,175	17,698	4,655,873
Protective Services	134,135	0	134,135
General	744,654	6,056	750,710
Housing Assistance Expenses	8,235,312	0	8,235,312
Depreciation	4,610,394	15,008	4,625,402
Other Expenses	<u>6,516</u>	<u>4,566</u>	<u>11,082</u>
<b>Total Operating Expenses</b>	<u>28,530,968</u>	<u>92,062</u>	<u>28,623,030</u>
Operating Income (Loss)	<u>(3,689,599)</u>	<u>123,964</u>	<u>(3,565,635)</u>
<b><u>NON-OPERATING REVENUE (EXPENSES)</u></b>			
Capital Grants	962,793	0	962,793
Interest Income	81,329	16,188	97,517
Interest Expense	<u>(14,880)</u>	<u>(14,855)</u>	<u>(29,735)</u>
<b>Total Non-Operating Revenue (Expenses)</b>	<u>1,029,242</u>	<u>1,333</u>	<u>1,030,575</u>
Excess (Deficiency) of Revenue Over (Under) Expenses	(2,660,357)	125,297	(2,535,060)
Beginning Equity	81,401,698	153,903	81,555,601
Prior Period Adjustments	<u>942,172</u>	<u>(73,569)</u>	<u>868,603</u>
<b>ENDING FUND EQUITY</b>	<u>\$ 79,683,513</u>	<u>\$ 205,631</u>	<u>\$ 79,889,144</u>

See accompanying notes to the general purpose financial statements.

STARK METROPOLITAN HOUSING AUTHORITY  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT  
 FOR THE YEAR ENDED MARCH 31, 2003

	Primary Government	Component Units	Total Memorandum Only)
<b>Cash Flows from Operating Activities</b>			
Cash Received from HUD and Other Governments	\$19,935,698	\$ 377,776	\$20,313,474
Cash Received from Tenants	4,313,394	51,591	4,364,985
Cash Received from Other Sources	625,289	33,494	658,783
Cash Payments for Housing Assistance Payments	(8,235,312)	0	(8,235,312)
Cash Payments for Administrative	(6,841,064)	(39,171)	(6,880,235)
Cash Payments for Other Operating Expenses	(9,198,692)	(38,920)	(9,237,612)
Cash Payments to HUD and Other Governments	(593,591)	0	(593,591)
<b>Net Cash (Used) by Operating Activities</b>	<u>5,722</u>	<u>384,770</u>	<u>390,492</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal Payments on Debt	(458,412)	(12,613)	(471,025)
Acquisition of Fixed Assets	(1,816,290)	(468,081)	(2,284,371)
Sale of Fixed Assets	39,951	41,239	81,190
Debt Proceeds	500,000	0	500,000
Capital Grants Received	962,793	0	962,793
<b>Net Cash Provided by Capital and Other Related Financing Activities</b>	<u>(771,958)</u>	<u>(439,455)</u>	<u>(1,211,413)</u>
<b>Cash Flows from Investing Activities</b>			
Sale of Investments	557,161	128,688	685,849
Investment Income	81,329	16,188	97,517
Interest Expense	(14,880)	(14,855)	(29,735)
<b>Net Cash Provided by Investing Activities</b>	<u>623,610</u>	<u>130,021</u>	<u>753,631</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(142,626)	75,336	(67,290)
Cash and Cash Equivalents, Beginning	<u>321,378</u>	<u>53,000</u>	<u>374,378</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 178,752</u>	<u>\$ 128,336</u>	<u>\$ 307,088</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>			
Net Operating Income (Loss)	\$(3,689,599)	\$ 123,964	\$(3,565,635)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities			
Depreciation	4,610,394	15,008	4,625,402
(Increase) Decrease in:			
Receivables - Net of Allowance	(863,584)	(215,011)	(1,078,595)
Inventory	(8,310)	0	(8,310)
Deferred Charges and Other Assets	(227,297)	(13,241)	(240,538)
Increase (Decrease) in:			
Accounts Payable	(617,846)	(1,037)	(618,883)
Compensated Absences	40,913	0	40,913
Accrued Wages/Payroll Taxes	364,790	0	364,790
Intergovernmental Payable	846,390	185,367	1,031,757
Tenants' Security Deposits	12,497	4,077	16,574
Deferred Credits/Other Liabilities	(462,626)	285,643	(176,983)
<b>Net Cash Used by Operating Activities</b>	<u>\$ 5,722</u>	<u>\$ 384,770</u>	<u>\$ 390,492</u>

See accompanying notes to the general purpose financial statements.

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

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.

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

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

**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 general-purpose 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 two component units, the Freed Housing Corporation and the Stark Metropolitan Housing Authority Credit Union. They are reported separately to emphasize that it is legally separate from the Authority.

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.

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

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

C. **Reporting Entity** (Continued)

**Discretely Presented Component Units** (Continued)

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

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

D. **Fund Accounting**

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

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

E. **Proprietary Fund Types**

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

**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.

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

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

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

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

**G. Investments**

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2003 totaled \$81,329 for the primary government and \$16,188 for the component unit.

**H. Fixed Assets**

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

**I. Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less. A reclassification of \$649,336 of program cash overdraft per the supplemental financial data schedule was made to the cash and cash equivalent line in the combined balance sheet.

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

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

J. **Compensated Absences**

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

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

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

K. **Capital Contributions**

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

L. **Budgetary Accounting**

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



STARK METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2003  
(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 GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2003  
 (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 \$6,929,591 and the bank balance was \$7,278,996, the difference representing outstanding checks and other in-transit items. Of the bank balance, \$169,349 was covered by federal depository insurance. The remainder was uninsured and uncollateralized, but were covered by a pledged collateral pool, as allowed by State law.

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:

**GASB Statement No. 9**

Cash and Cash Equivalents	\$ 178,752
Investments	<u>6,750,839</u>
Total	<u>\$ 6,929,591</u>

**GASB Statement No. 3**

Carrying amount of deposits	\$ 6,929,591
Carrying amount of investments	<u>0</u>
Total	<u>\$ 6,929,591</u>

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

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

**B. Component Unit**

At year end, the carrying amount of the component units deposits were \$128,336 which was also the bank balance. The entire balance was covered by FDIC insurance. Investments of the component unit consisted of money market funds at a local financial institution. Of these funds, \$100,000 was covered by FDIC insurance and the balance is covered by a pledged collateral pool.

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

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

NOTE 4: **INSURANCE COVERAGE**

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

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

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

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

NOTE 5: **FIXED ASSETS**

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
Land	\$ 16,631,065	\$ 65,227	\$ 16,696,292
Buildings	111,067,711	731,563	111,799,274
Furniture and Equipment	<u>4,157,890</u>	<u>48,785</u>	<u>4,206,675</u>
Subtotal	131,856,666	845,575	132,702,241
Accumulated Depreciation	<u>(57,510,551)</u>	<u>(22,279)</u>	<u>(57,532,830)</u>
<b>Net Fixed Assets</b>	<b><u>\$ 74,346,115</u></b>	<b><u>\$ 823,296</u></b>	<b><u>\$ 75,169,411</u></b>

The following is a summary of changes:

	<u>Restated Balance April 1, 2002</u>	<u>Primary Government</u>		<u>Balance March 31, 2003</u>
		<u>Additions</u>	<u>Deletions</u>	
Land	\$ 16,671,016	\$ 0	\$ (39,951)	\$ 16,631,065
Buildings	104,313,163	6,754,548	0	111,067,711
Construction in Progress	5,200,260	0	(5,200,260)	0
Furniture and Equipment	<u>3,980,204</u>	<u>262,002</u>	<u>(84,316)</u>	<u>4,157,890</u>
Total Fixed Assets	130,164,643	7,016,550	(5,324,527)	131,856,666
Less Accumulated Depreciation	<u>(52,984,473)</u>	<u>(4,610,394)</u>	<u>84,316</u>	<u>(57,510,551)</u>
<b>Net Fixed Assets</b>	<b><u>\$ 77,180,170</u></b>			<b><u>\$ 74,346,115</u></b>

	<u>Balance April 1, 2002</u>	<u>Component Units</u>		<u>Balance March 31, 2003</u>
		<u>Additions</u>	<u>Deletions</u>	
Land	\$ 104,949	\$ 0	\$ (39,722)	\$ 65,227
Building	294,755	436,808	0	731,563
Furniture and Equipment	<u>19,029</u>	<u>31,273</u>	<u>(1,517)</u>	<u>48,785</u>
Total Fixed Assets	418,733	468,081	(41,239)	845,575
Less Accumulated Depreciation	<u>(7,271)</u>	<u>(15,008)</u>	<u>0</u>	<u>(22,279)</u>
<b>Net Fixed Assets</b>	<b><u>\$ 411,462</u></b>	<b><u>\$ 453,073</u></b>	<b><u>\$ (41,239)</u></b>	<b><u>\$ 823,296</u></b>

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, 2002. See Note 10 for further information.

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

NOTE 6: **DEFINED BENEFIT PENSION PLANS**

All of the Authority's full-time employees participate in a retirement system which are cost-sharing, multiple-employer defined benefit pension plans.

A. **Ohio Public Employees Retirement System (OPERS)**

The following information was provided by OPERS to assist the Authority in complying with GASB Statement No. 27, *Accounting for Pensions of State and Local Government Employees*.

The Authority contributes to the OPERS, a cost-sharing, multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. 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 that includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The 2002 employer contribution rate for local government employer units was 13.55 percent of covered payroll. The Authority's contributions to the OPERS for the years ending March 31, 2003, 2002, and 2001 were \$1,020,320, \$950,815, and \$919,196, respectively, which were equal to the required contributions for each year.

The OPERS provides postemployment 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 Postemployment 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 for employer contributions. The portion of the 2002-2003 employer contribution rate that was used to fund health care was 5 percent of covered payroll, which amounted to \$231,365.

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

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

A. **Ohio Public Employees Retirement System (OPERS)** (Continued)

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the System's latest actuarial review performed as of December 31, 2001. 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 2001 was 8.0 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 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of OPERS' net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This in contrast to the ten-year "cliff" eligibility standard for the present Plan.

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

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

NOTE 7: **LONG-TERM DEBT**

The Authority was obligated on the following notes as of March 31, 2003:

<b><u>Bank One</u></b>	
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.	\$ 772,308
<b><u>United National Bank and Trust</u></b>	
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.	347,126
<b><u>United National Bank and Trust</u></b>	
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.	449,817
<b><u>Bank One</u></b>	
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.	160,367
<b><u>First Merit</u></b>	
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 rehabbing Hill View Apartments	477,370
Total	\$2,206,988

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

NOTE 7: **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, 2004	\$ 453,149	\$ 102,433	\$ 555,582
March 31, 2005	463,297	77,165	540,462
March 31, 2006	646,244	51,172	697,416
March 31, 2007	170,583	23,372	193,955
March 31, 2008	128,362	16,618	144,980
Thereafter	<u>345,353</u>	<u>24,667</u>	<u>370,020</u>
Total:	<u>\$2,206,988</u>	<u>\$ 295,427</u>	<u>\$2,502,415</u>

The debt schedule for the component unit Freed Housing Corporation is as follows:

First Merit Bank Promissory Note Principal Amount \$195,110 Interest Rate of 6.398%	\$ 184,810
First Merit Bank Promissory Not Principal Amount \$97,000 Interest Rate of 4.34%	<u>94,400</u>
Total	<u>\$ 279,210</u>

Amortization of the debt was not available.

NOTE 8: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material operating lease commitments or material capital or construction commitments at March 31, 2003.

NOTE 9: **LITIGATION**

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



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

**NOTE 10: RESTATEMENT OF BEGINNING EQUITY - PRIMARY GOVERNMENT**

The following summarizes adjustments made to beginning equity:

	<u>State/Local</u>	<u>Low Rent Public Housing</u>	<u>Rental Certificate</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>Other Programs</u>	<u>Total</u>
Beginning Equity	\$ 501,339	\$75,302,051	\$ 484,672	\$ (79,227)	\$ 5,200,260	\$ (7,397)	\$ 81,401,698
Reclassify Equity							
Transfer for Section 8 Certificate to Voucher	0	0	(484,672)	484,672	0	0	0
Correction to Beginning Accumulated Dep.	0	(1,806,428)	0	0	0	0	(1,806,428)
Correction to Fixed Assets	447,035	2,331,616	0	0	0	0	2,778,651
Transfer of Assets from Capital Fund Program	0	2,484,849	0	0	(2,484,849)	0	0
Other Adjustments	0	(33,282)	0	(38,561)	0	41,792	(30,051)
Total Restatements	<u>447,035</u>	<u>2,976,755</u>	<u>(484,672)</u>	<u>446,111</u>	<u>(2,484,849)</u>	<u>41,792</u>	<u>942,172</u>
Beginning Equity, Restated	<u>\$ 948,374</u>	<u>\$78,278,806</u>	<u>\$ 0</u>	<u>\$ 366,884</u>	<u>\$ 2,715,411</u>	<u>\$ 34,395</u>	<u>\$ 82,343,870</u>

**NOTE 11: NEW ACCOUNTING STANDARDS**

The GASB has issued Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; and Statement No. 36 *Recipient Reporting for Certain Shared Non-Exchange Revenues*.

These statements establish accounting standards for non-exchange transactions such as grants and other assistance provided to the Authority by other governmental units and revise accounting and reporting standards for general purpose external financial reporting by governmental units. GASB Statements No. 33 and 36 were adopted for the Authority's fiscal year ending March 31, 2003 and had no effect on the Agency's prior retained earnings. GASB Statement No. 34 is effective for the fiscal year ending March 31, 2004. The Authority has not completed an analysis of the impact of GASB No. 34 Statements on its reported financial condition and results of operations.

Stark Metropolitan Housing Authority  
Supplemental Financial Data Schedule  
Balance Sheet by Program  
As of March 31, 2003

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	Section 8 Rental Certificate Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
<b>ASSETS</b>													
111	Cash - Unrestricted	\$0	\$0	\$42,141	\$0	\$0	\$0	\$0	\$0	\$0	\$785,947	\$128,336	\$956,424
100	Total Cash	\$0	\$0	\$42,141	\$0	\$0	\$0	\$0	\$0	\$0	\$785,947	\$128,336	\$956,424
122	Accounts Receivable - HUD Other Projects	\$0	\$60,971	\$0	\$0	\$3,813	\$0	\$0	\$0	\$0	\$0	\$0	\$64,784
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$1,050,744	\$0	\$0	\$0	\$0	\$5,722	\$0	\$10,482	\$20,798	\$1,087,746
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$272,772	\$0	\$0	\$0	\$0	\$26,309	\$0	\$277	\$3,319	\$302,677
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	(\$56,810)	\$0	\$0	\$0	\$0	(\$11,036)	\$0	\$0	\$0	(\$67,846)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
127	Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$55,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$219,646	\$274,646
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$60,971	\$1,321,706	\$0	\$3,813	\$0	\$0	\$20,995	\$0	\$10,759	\$243,763	\$1,662,007
131	Investments - Unrestricted	\$580,000	\$0	\$4,900,839	\$0	\$72,500	\$0	\$0	\$797,500	\$0	\$400,000	\$426,431	\$7,177,270
142	Prepaid Expenses and Other Assets	\$0	\$0	\$317,961	\$0	\$0	\$0	\$0	\$8,881	\$0	\$0	\$14,774	\$341,616
143	Inventories	\$0	\$0	\$488,659	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$488,659
143.1	Allowance for Obsolete Inventories	\$0	\$0	(\$41,705)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$41,705)
150	Total Current Assets	\$580,000	\$60,971	\$7,029,601	\$0	\$76,313	\$0	\$0	\$827,376	\$0	\$1,196,706	\$813,304	\$10,584,271
161	Land	\$0	\$0	\$16,550,581	\$0	\$0	\$0	\$0	\$0	\$0	\$80,484	\$65,227	\$16,696,292
162	Buildings	\$0	\$0	\$106,046,734	\$0	\$0	\$0	\$0	\$156,513	\$3,457,882	\$1,406,582	\$731,563	\$111,799,274
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$3,034,370	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,707	\$3,047,077
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$754,971	\$0	\$0	\$0	\$0	\$148,227	\$220,322	\$0	\$36,078	\$1,159,598
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	\$0	\$0	(\$57,221,959)	\$0	\$0	\$0	\$0	(\$144,210)	(\$72,982)	(\$71,400)	(\$22,279)	(\$57,532,830)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0	\$69,164,697	\$0	\$0	\$0	\$0	\$160,530	\$3,605,222	\$1,415,666	\$823,296	\$75,169,411
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$2,137,230	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,137,230
180	Total Non-Current Assets	\$0	\$0	\$71,301,927	\$0	\$0	\$0	\$0	\$160,530	\$3,605,222	\$1,415,666	\$823,296	\$77,306,641
190	Total Assets	\$580,000	\$60,971	\$78,331,528	\$0	\$76,313	\$0	\$0	\$987,906	\$3,605,222	\$2,612,372	\$1,636,600	\$87,890,912

Stark Metropolitan Housing Authority  
 Supplemental Financial Data Schedule  
 Balance Sheet by Program  
 As of March 31, 2003

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	Section 8 Rental Certificate Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
<b>LIABILITIES</b>													
311	Bank Overdraft	\$90,446	\$64,871	\$0	\$0	\$407,813	\$0	\$0	\$86,206	\$0	\$0	\$0	\$649,336
312	Accounts Payable <= 90 Days	\$0	\$0	\$175,326	\$0	\$0	\$0	\$0	\$57,888	\$0	\$0	\$282	\$233,496
313	Accounts Payable >90 Days Past Due	\$0	\$0	\$2,781	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,781
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$394,587	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$394,587
322	Accrued Compensated Absences - Current Portion	\$494	\$0	\$76,656	\$0	\$2,189	\$0	\$0	\$49,609	\$0	\$7,473	\$0	\$136,421
331	Accounts Payable - HUD PHA Programs	\$70,152	\$0	\$0	\$0	\$22,063	\$0	\$0	\$190,890	\$0	\$5,843	\$0	\$288,948
332	Accounts Payable - PHA Projects	\$25,521	\$150	\$0	\$0	\$40,565	\$0	\$0	\$166,840	\$0	\$0	\$0	\$233,076
333	Accounts Payable - Other Government	\$0	\$0	\$178,702	\$0	\$0	\$0	\$0	\$0	\$0	\$739,255	\$185,367	\$1,103,324
341	Tenant Security Deposits	\$0	\$0	\$325,444	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,077	\$329,521
342	Deferred Revenues	\$0	\$0	\$420,597	\$0	\$0	\$0	\$0	\$1,804	\$0	\$97,591	\$309,788	\$829,780
343	Current Portion of Long-term Debt - Capital Projects/ Mortgage Revenue Bonds	\$0	\$0	\$410,937	\$0	\$0	\$0	\$0	\$0	\$0	\$42,212	\$13,200	\$466,349
348	Loan Liability - Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
345	Other Current Liabilities	\$0	\$0	\$40,982	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$652,245	\$693,227
310	Total Current Liabilities	\$186,613	\$65,021	\$2,026,012	\$0	\$472,630	\$0	\$0	\$553,237	\$0	\$892,374	\$1,164,959	\$5,360,846
351	Long-term Debt, Net of Current - Capital Projects/ Mortgage Revenue Bonds	\$0	\$0	\$1,318,681	\$0	\$0	\$0	\$0	\$0	\$0	\$435,158	\$266,010	\$2,019,849
354	Accrued Compensated Absences - Non Current	\$2,251	\$0	\$348,987	\$0	\$9,965	\$0	\$0	\$225,851	\$0	\$34,019	\$0	\$621,073
355	Loan Liability - Non Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
350	Total Noncurrent Liabilities	\$2,251	\$0	\$1,667,668	\$0	\$9,965	\$0	\$0	\$225,851	\$0	\$469,177	\$266,010	\$2,640,922
300	Total Liabilities	\$188,864	\$65,021	\$3,693,680	\$0	\$482,595	\$0	\$0	\$779,088	\$0	\$1,361,551	\$1,430,969	\$8,001,768
<b>EQUITY</b>													
504	Net HUD PHA Contributions	\$0	\$0	\$69,178,101	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$69,178,101
508	Total Contributed Capital	\$0	\$0	\$69,178,101	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$69,178,101
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512	Undesignated Fund Balance/Retained Earnings	\$391,136	(\$4,050)	\$5,459,747	\$0	(\$406,282)	\$0	\$0	\$208,818	\$3,605,222	\$1,250,821	\$205,631	\$10,711,043
513	Total Equity/Net Assets	\$391,136	(\$4,050)	\$74,637,848	\$0	(\$406,282)	\$0	\$0	\$208,818	\$3,605,222	\$1,250,821	\$205,631	\$79,889,144
600	Total Liabilities and Equity/Net Assets	\$580,000	\$60,971	\$78,331,528	\$0	\$76,313	\$0	\$0	\$987,906	\$3,605,222	\$2,612,372	\$1,636,600	\$87,890,912

Stark Metropolitan Housing Authority  
 Supplemental Financial Data Schedule  
 Statement of Revenues, Expenses and Changes in Equity by Program  
 For the year ended March 31, 2003

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	Section 8 Rental Certificate Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
<b>REVENUE</b>													
703	Net Tenant Rental Revenue	\$0	\$0	\$4,400,007	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$51,591	\$4,451,598
705	Total Tenant Revenue	\$0	\$0	\$4,400,007	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$51,591	\$4,451,598
706	HUD PHA Operating Grants	\$1,583,833	\$106,808	\$6,170,913	\$520,704	\$395,211	\$0	\$217,770	\$6,853,428	\$3,305,515	\$0	\$0	\$19,154,182
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$962,793	\$0	\$0	\$962,793
708	Other Government Grants	\$0	\$85,963	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$535,977	\$135,018	\$756,958
711	Investment Income - Unrestricted	\$2,640	\$0	\$57,743	\$0	\$802	\$0	\$0	\$6,579	\$0	\$12,437	\$16,188	\$96,389
715	Other Revenue	\$0	\$0	\$71,046	\$0	\$0	\$0	\$0	\$3,767	\$0	\$590,427	\$62,655	\$727,895
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$33,238)	(\$33,238)
720	Investment Income - Restricted	\$608	\$0	\$0	\$0	\$0	\$0	\$0	\$520	\$0	\$0	\$0	\$1,128
700	Total Revenue	\$1,587,081	\$192,771	\$10,699,709	\$520,704	\$396,013	\$0	\$217,770	\$6,864,294	\$4,268,308	\$1,138,841	\$232,214	\$26,117,705

Stark Metropolitan Housing Authority  
Supplemental Financial Data Schedule  
Statement of Revenues, Expenses and Changes in Equity by Program  
For the year ended March 31, 2003

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	Section 8 Rental Certificate Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
<b>EXPENSES</b>													
911	Administrative Salaries	\$30,453	\$7,261	\$1,196,724	\$0	\$77,642	\$0	\$0	\$349,047	\$0	\$155,294	\$3,200	\$1,819,621
912	Auditing Fees	\$762	\$51	\$2,680	\$0	\$203	\$0	\$0	\$3,248	\$0	\$0	\$3,225	\$10,169
914	Compensated Absences	(\$4,653)	\$0	\$199,815	\$0	(\$6,709)	\$0	\$0	\$188,340	\$0	\$4,320	\$0	\$381,113
915	Employee Benefit Contributions - Administrative	\$9,564	\$4,025	\$273,696	\$0	\$60,498	\$0	\$0	\$218,697	\$0	\$0	\$1,196	\$567,676
916	Other Operating - Administrative	\$10,888	\$5,673	\$589,135	\$39,237	\$3,214	\$0	\$3,010	\$37,884	\$3,305,515	\$101,528	\$31,550	\$4,127,634
921	Tenant Services - Salaries	\$0	\$0	\$0	\$0	\$0	\$0	\$99,714	\$0	\$0	\$81,127	\$0	\$180,841
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$61,396	\$0	\$0	\$24,008	\$0	\$85,404
924	Tenant Services - Other	\$0	\$0	\$95,543	\$208,006	\$0	\$0	\$53,650	\$0	\$0	\$45,235	\$0	\$402,434
931	Water	\$0	\$0	\$377,957	\$0	\$0	\$0	\$0	\$0	\$0	\$764	\$2,510	\$381,231
932	Electricity	\$0	\$0	\$694,826	\$0	\$0	\$0	\$0	\$0	\$0	\$3,438	\$1,692	\$699,956
933	Gas	\$0	\$0	\$1,074,263	\$0	\$0	\$0	\$0	\$0	\$0	\$7,776	\$3,686	\$1,085,725
938	Other Utilities Expense	\$0	\$0	\$465,937	\$0	\$0	\$0	\$0	\$0	\$0	\$1,100	\$1,675	\$468,712
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$1,391,896	\$0	\$0	\$0	\$0	\$13,050	\$0	\$0	\$0	\$1,404,946
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$480,551	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$693	\$481,244
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$0	\$2,196,503	\$0	\$0	\$0	\$0	\$0	\$0	\$14,341	\$13,605	\$2,224,449
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$318,323	\$0	\$0	\$0	\$0	\$9,112	\$0	\$51,574	\$0	\$379,009
952	Protective Services - Other Contract Costs	\$0	\$0	\$22,740	\$106,765	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$129,505
953	Protective Services - Other	\$0	\$0	\$4,630	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,630
961	Insurance Premiums	\$746	\$622	\$287,949	\$0	\$14,479	\$0	\$0	\$50,947	\$0	\$5,677	\$3,916	\$364,336
962	Other General Expenses	\$0	\$0	\$53,200	\$166,696	\$0	\$0	\$0	\$1,790	\$0	\$0	\$0	\$221,686
963	Payments in Lieu of Taxes	\$0	\$0	\$178,702	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,140	\$180,842
964	Bad Debt - Tenant Rents	\$0	\$0	(\$33,762)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$33,762)
967	Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,880	\$14,855	\$29,735
968	Severance Expense	\$0	\$0	\$17,608	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,566	\$22,174
969	Total Operating Expenses	\$47,760	\$17,632	\$9,888,916	\$520,704	\$149,327	\$0	\$217,770	\$872,115	\$3,305,515	\$511,062	\$88,509	\$15,619,310
970	Excess Operating Revenue over Operating Expenses	\$1,539,321	\$175,139	\$810,793	\$0	\$246,686	\$0	\$0	\$5,992,179	\$962,793	\$627,779	\$143,705	\$10,498,395
971	Extraordinary Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$162,825	\$3,400	\$166,225
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$6,516	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,516
973	Housing Assistance Payments	\$1,490,811	\$172,056	\$0	\$0	\$351,870	\$0	\$0	\$6,129,468	\$0	\$91,107	\$0	\$8,235,312
974	Depreciation Expense	\$0	\$0	\$4,445,235	\$0	\$0	\$0	\$0	\$20,777	\$72,982	\$71,400	\$15,008	\$4,625,402
900	Total Expenses	\$1,538,571	\$189,688	\$14,340,667	\$520,704	\$501,197	\$0	\$217,770	\$7,022,360	\$3,378,497	\$836,394	\$106,917	\$28,652,765
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$48,510	\$3,083	(\$3,640,958)	\$0	(\$105,184)	\$0	\$0	(\$158,066)	\$889,811	\$302,447	\$125,297	(\$2,535,060)

Stark Metropolitan Housing Authority  
Supplemental Financial Data Schedule  
Statement of Revenues, Expenses and Changes in Equity by Program  
For the year ended March 31, 2003

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	Section 8 Rental Certificate Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
1101	Capital Outlays Enterprise Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$495,458	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$495,458
1103	Beginning Equity	\$303,362	(\$7,133)	\$75,302,051	\$0	(\$303,626)	\$484,672	\$0	(\$79,227)	\$5,200,260	\$501,339	\$153,903	\$81,555,601
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$39,264	\$0	\$2,976,755	\$0	\$2,528	(\$484,672)	\$0	\$446,111	(\$2,484,849)	\$447,035	(\$73,569)	\$868,603
1113	Maximum Annual Contributions Commitment (Per ACC)	\$119,878	\$0	\$0	\$0	\$90,270	\$0	\$0	\$6,352,904	\$0	\$0	\$0	\$6,563,052
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,877	\$0	\$0	\$0	\$17,877
1115	Contingency Reserve, ACC Program Reserve	\$6,749,083	\$0	\$0	\$0	\$4,643,411	\$0	\$0	\$674,610	\$0	\$0	\$0	\$12,067,104
1116	Total Annual Contributions Available	\$6,868,961	\$0	\$0	\$0	\$4,733,681	\$0	\$0	\$7,045,391	\$0	\$0	\$0	\$18,648,033
1120	Unit Months Available	4,332	756	30,420	0	1,214	0	0	17,924	0	432	0	55,078
1121	Number of Unit Months Leased	4,311	756	28,296	0	1,078	0	0	17,836	0	422	0	52,699

STARK METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2003

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Funds Expended</b>
<b><u>From U.S. Department of HUD</u></b>		
<b><u>Direct Programs</u></b>		
<b><u>U.S. Department of HUD</u></b>		
<b><u>PHA Owned Housing:</u></b>		
Public and Indian Housing Operating Subsidy	14.850	\$ 6,170,913
Capital Fund Program	14.872	4,268,308
Drug Elimination	14.854	520,704
Shelter Care Plus	14.238	192,771
Resident Opportunity and Supportive Services	14.870	217,770
Total for PHA Owned Housing		<u>11,370,466</u>
<b><u>Section 8 Tenant Based Programs:</u></b>		
<b>Housing Assistance Payments:</b>		
Housing Choice - Vouchers	14.871	<u>6,853,428</u>
Total for Section 8 Tenant Based Programs		<u>6,853,428</u>
<b><u>Section 8 Project Based Programs:</u></b>		
Project Based - Mod Rehabilitation	14.856	395,211
- New Construction	14.182	<u>1,583,833</u>
Subtotal Section 8 Project Based Programs		<u>1,979,044</u>
Home Investment Partnership Program (Passed through Stark County)	14.239	<u>53,914</u>
<b><i>Total U.S. Department of HUD</i></b>		<u>20,256,852</u>
<b>TOTAL ALL PROGRAMS</b>		<u>\$20,256,852</u>

STARK METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF MODERNIZATION/DEVELOPMENT COST-COMPLETED  
FOR THE TWELVE MONTHS ENDED MARCH 31, 2003

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

	CGP Project <u>OH12P01850100</u>
Funds Approved	\$ 5,179,146
Funds Expended	<u>5,179,146</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ 0</u></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.
5. The time in which such liens could be filed expired.



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

Board of Directors  
Stark Metropolitan Housing Authority  
Canton, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the general purpose financial statements of the Stark Metropolitan Housing Authority as of and for the year ended March 31, 2003, and have issued our report thereon dated October 30, 2003. 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.

**Compliance**

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

**Internal Control Over Financial Reporting**

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

We did note matters involving the internal control over financial reporting which we have reported to the management of the Authority in a separate letter dated October 30, 2003.

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

October 30, 2003

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James G. Zupka  
Certified Public Accountant

**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 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, 2003. Stark Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants, applicable to each of its major federal programs is the responsibility of the Stark Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Stark Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2003.

### **Internal Control Over Compliance**

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

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

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

October 30, 2003

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James G. Zupka  
Certified Public Accountant

STARK METROPOLITAN HOUSING AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 & .505  
 MARCH 31, 2003

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

2003(i)	Type of Financial Statement Opinion	Unqualified
2003(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2003(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2003(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2003(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2003(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2003(v)	Type of Major Programs' Compliance Opinion	Unqualified
2003(vi)	Are there any reportable findings under .510?	No
2003(vii)	Major Programs (list):	Public and Indian Housing Operating Subsidy CFDA #14.850
2003(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$607,706 Type B: > all others
2000(ix)	Low Risk Auditee?	Yes

STARK METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
(CONTINUED)  
MARCH 31, 2003

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  
NOVEMBER 25, 2003**