

**STARK METROPOLITAN
HOUSING AUTHORITY**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
MARCH 31, 2014**

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

STARK METROPOLITAN HOUSING AUTHORITY
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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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Stark Metropolitan Housing Authority, Stark County, Ohio, (the Authority) as of and for the fiscal year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hunter House PSH, LLC, which represent 57 percent, 66 percent and 53 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hunter House PSH, LLC, is based solely on the report of the other auditors. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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 presented component units of the Stark Metropolitan Housing Authority, Ohio, as of March 31, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Authority restated the net position of one of the component units for an error in capital assets and non-current assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stark Metropolitan Housing Authority, Ohio's basic financial statements. The Financial Data Schedules are presented for purposes of additional analysis and are not a part of the basic financial statements. The Schedule of Expenditures 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 Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Financial Data Schedules, and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the Stark Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

October 23, 2014

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2014
(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, 2014 activities, resulting changes, and currently known facts of the primary government. Please read it in conjunction with the Authority’s financial statements (beginning on page 11).

FINANCIAL HIGHLIGHTS

- The Authority’s financial position at March 31, 2014, reflected total assets of \$73.98 million and total liabilities of \$10.45 million. The total net position was \$63.53 million. The financial operations were in accordance with revenue expectations and the approved budget plan. Net position decreased by \$1,636,770 or less than 2.5 percent.
- Total revenue decreased by \$2,193,018 or 7.65 percent. Total revenue was 26.46 million in fiscal 2014 and 28.66 in fiscal 2013.
- Total expenses decreased by \$3,203,067 or 10.23 percent. Total expenses were 28.10 million in fiscal year 2014 and 31.30 in fiscal year 2013.

Financial Statements

The Authority’s financial statements include a Statement of Net Position, which is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources of the Authority. The Statement is presented in a format where assets minus liabilities equal Net Position, 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”.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities. Net position, the difference between total assets and total liabilities, is an important indicator of the current financial condition, while the change in net position is an indicator of whether the overall financial position has improved or worsened during

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2014
(Unaudited)

the year. The focus of the Statement of Net Position (the “unrestricted” net position) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net position (formerly net assets) is reported in three broad categories.

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

Unrestricted Net Position: Consists of net position that does not meet the definition of “Net Investment in Capital Assets”, or “Restricted Net Position”.

The financial statements also include a Statement of Revenues, Expenses, and Changes in Net Position, which is similar to an income statement. This Statement includes Operating Revenues, such as rental income; Operating Expenses, such as administrative, utilities, maintenance, and depreciation; and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income, and interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Net Position is the “Changes in Net Position”, 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, investing activities, and from capital and related financing activities.

The Authority's Programs

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

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

STARK METROPOLITAN HOUSING AUTHORITY
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(Unaudited)

Capital Fund Program (CFP) - This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CPG was revised for the CFP, funds are still provided by formula allocation and based on size and age of the Authority's units.

Shelter Plus Care Program - This grant program, funded by the U.S. Department of Housing and Urban Development, is designed to link rental assistance to supportive services for hard-to-reach homeless persons with disabilities (primarily those who are seriously mentally ill, have chronic problems with alcohol, drugs, or both, or have acquired immune deficiency syndrome (AIDS) and related diseases), and their families.

Component Unit - These resources were developed from a variety of activities.

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

AUTHORITY-WIDE STATEMENTS

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

Table 1 - Condensed Statement of Net Position Compared to Prior Year
Primary Government

	2014	2013
<u>ASSETS</u>		
Current Assets	\$ 6,344,078	\$ 5,189,363
Capital Assets	<u>67,636,156</u>	<u>71,485,263</u>
Total Assets	<u>\$73,980,234</u>	<u>\$76,674,626</u>
<u>LIABILITIES</u>		
Current Liabilities	\$ 2,438,515	\$ 2,660,946
Non-Current Liabilities	<u>8,014,266</u>	<u>8,849,457</u>
Total Liabilities	<u>10,452,781</u>	<u>11,510,403</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	58,948,551	62,578,646
Restricted	181,335	1,197,269
Unrestricted	<u>4,397,567</u>	<u>1,388,308</u>
Total Net Position	<u>63,527,453</u>	<u>65,164,223</u>
Total Liabilities and Net Position	<u>\$73,980,234</u>	<u>\$76,674,626</u>

For more detailed information see page 11 for the Statement of Net Position.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2014
(Unaudited)

Major Factors Affecting The Statement of Net Position

Total assets decreased by \$2,694,392 or about 3.5 percent. Total current assets increased \$1.2 million partially related to a \$364,693 cash increase. The balance of the increase in total current assets was primarily from the \$698,986 increase in receivables. The increase in total current assets was offset by the net decrease of \$3.8 million of capital assets in the total noncurrent assets section. Total liabilities decreased by \$1.0 or 9.19 percent due primarily to a reduction in non-current liabilities of \$835,191.

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

Table 2 - Change of Unrestricted Net Position - Primary Government

	<u>2014</u>
Beginning Balance - March 31, 2013	\$ 1,388,308
Results of Operations	(1,636,770)
Adjustments:	
Current Year Depreciation Expense (1)	4,981,353
Capital Expenditures (2)	(1,132,246)
Current Year Debt Issued	200,000
Debt Principal Payments	(419,012)
Transfer from Restricted Net Position	<u>1,015,934</u>
Ending Balance - March 31, 2014	<u>\$4,397,567</u>

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

(2) Capital expenditures represent an outflow of unrestricted net position, 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 Position provides a clearer change in financial well-being.

Statement of Revenues, Expenses, and Changes in Net Position

Total revenues decreased by \$2.2 million or 7.65 percent. This net decrease is a result of the continuing decrease in the Capital Fund Grant allocation, the timing differences in Capital Fund projects from year to year, the public housing subsidy and Other Revenues. Total expenses decreased \$3.2 million. This change was primarily due to a decrease in Administrative expense of \$656,266 or 13.49 percent, Maintenance expense of \$919,280 or 14.97 percent, General and Protective Services of \$640,727 or 28.54 percent and Transfers of \$445,666 or 68.13 percent.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2014
(Unaudited)

Table 3 - Statement of Revenue, Expenses and Changes in Net Position
Primary Government

	<u>2014</u>	<u>2013</u>
<u>Revenues</u>		
Tenant Revenue - Rents and Other	\$ 5,408,559	\$ 5,118,651
Operating Subsidies and Grants	19,377,615	20,089,281
Capital Grants	1,083,651	1,429,641
Investment Income	13,548	3,147
Other Revenues	<u>578,690</u>	<u>2,014,361</u>
Total Revenues	<u>26,462,063</u>	<u>28,655,081</u>
<u>Expenses</u>		
Administrative	4,209,781	4,866,047
Utilities	3,269,741	3,283,635
Maintenance	5,219,850	6,139,130
Tenant Services	188,974	268,278
General and Protective Services	1,604,087	2,244,814
Interest and Other Expenses	472,016	712,737
Housing Assistance Payments	7,944,565	8,006,412
Depreciation	4,981,353	5,126,715
Transfers	<u>208,466</u>	<u>654,132</u>
Total Expenses	<u>28,098,833</u>	<u>31,301,900</u>
Net Increase (Decrease)	<u>\$(1,636,770)</u>	<u>\$(2,646,819)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$67.6 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation) of \$3.8 million from the end of last year.

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

	<u>2014</u>	<u>2013</u>
Land	\$16,019,605	\$16,019,604
Construction in Progress	6,305,249	12,456,722
Buildings	154,290,865	147,642,591
Equipment	5,350,824	4,715,381
Accumulated Depreciation	<u>(114,330,387)</u>	<u>(109,349,035)</u>
Total	<u>\$ 67,636,156</u>	<u>\$ 71,485,263</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the notes on capital assets.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2014

(Unaudited)

Table 5 - Change in Capital Assets - Primary Government

Beginning Balance - March 31, 2013	\$71,485,263
Current Year Additions	1,132,246
Current Year Depreciation Expense	<u>(4,981,353)</u>
Ending Balance - March 31, 2014	<u>\$67,636,156</u>

DEBT OUTSTANDING

As of year-end, the Authority had \$8.6 million in debt outstanding compared to \$8.9 million last year, a \$0.3 million decrease (regularly scheduled debt retirement and debt retirement as a result of refinancing the outstanding bonds).

Table 6 - Outstanding Debt, at Year-End - Primary Government

	<u>2014</u>	<u>2013</u>
Beginning Balance - March 31, 2013	\$ 8,906,617	\$ 9,335,829
Current Year Debt Issued	200,000	0
Current Year Principal Payments	<u>(419,012)</u>	<u>(429,212)</u>
Ending Balance - March 31, 2014	<u>\$ 8,687,605</u>	<u>\$8,906,617</u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the U.S. Department of Housing and Urban Development and the subsidies provided to the Authority by the U.S. 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, employee health care costs, insurances, rents, supplies, and other costs.

FINANCIAL CONTACT

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

Basic Financial Statements

STARK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
MARCH 31, 2014

	Primary Government	Component Units
<u>ASSETS</u>		
Current Assets:		
Cash - Unrestricted	\$ 1,954,001	\$ 532,068
Cash - Restricted	1,672,005	357,647
Accounts Receivable - Net of Allowance	1,358,062	178,394
Due from Component Unit	912,573	0
Inventories - Net of Allowance	328,271	20,287
Prepaid Expenses	119,166	34,669
Total Current Assets	<u>6,344,078</u>	<u>1,123,065</u>
Non-Current Assets:		
Capital Assets - Non-Depreciated	22,324,854	454,670
Depreciable Capital Assets - Net	45,311,302	10,273,067
Other Non-Current Assets	<u>0</u>	<u>353,742</u>
Total Non-Current Assets	<u>67,636,156</u>	<u>11,081,479</u>
TOTAL ASSETS	<u>\$ 73,980,234</u>	<u>\$12,204,544</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 99,398	\$ 548,930
Current Portion of Long-Term Debt	1,088,204	67,233
Intergovernmental Payable	386,485	6,352
Accrued Wages and Payroll Taxes	229,990	16,308
Tenant Security Deposits	417,413	45,113
Other Current Liabilities	217,025	1,247,210
Due to Primary Government	<u>0</u>	<u>912,573</u>
Total Current Liabilities	<u>2,438,515</u>	<u>2,843,719</u>
Non-Current Liabilities:		
Long-Term Debt - Net of Current Portion	7,599,401	5,994,910
Other Long-Term Liabilities and Compensated Absences	<u>414,865</u>	<u>0</u>
Total Non-Current Liabilities	<u>8,014,266</u>	<u>5,994,910</u>
Total Liabilities	<u>10,452,781</u>	<u>8,838,629</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	58,948,551	4,665,594
Restricted	181,335	312,534
Unrestricted	<u>4,397,567</u>	<u>(1,612,213)</u>
Total Net Position	<u>63,527,453</u>	<u>3,365,915</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 73,980,234</u>	<u>\$12,204,544</u>

See accompanying notes to the basic financial statements.

**STARK METROPOLITAN HOUSING AUTHORITY
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2014**

	<u>Primary Government</u>	<u>Component Units</u>
<u>Operating Revenues</u>		
Program Operating Grants/Subsidies	\$ 19,377,615	\$ 584,336
Tenant Revenues	5,408,559	623,196
Other Income	<u>578,690</u>	<u>1,915,146</u>
Total Operating Revenues	<u>25,364,864</u>	<u>3,122,678</u>
<u>Operating Expenses</u>		
Administrative	4,209,781	441,719
Utilities Expenses	3,269,741	276,237
Ordinary Maintenance	5,219,850	206,924
Tenant Services	188,974	44,739
General and Protective Services	1,604,087	1,728,761
Housing Assistance Payments	7,944,565	0
Other Expenses	150,460	253,762
Depreciation	<u>4,981,353</u>	<u>560,616</u>
Total Operating Expenses	<u>27,568,811</u>	<u>3,512,758</u>
Operating Income (Loss)	<u>(2,203,947)</u>	<u>(390,080)</u>
<u>Non-Operating Revenue (Expenses)</u>		
Interest Income	13,548	157
Interest Expense	<u>(321,556)</u>	<u>(107,645)</u>
Total Non-Operating Revenue (Expenses)	<u>(308,008)</u>	<u>(107,488)</u>
Excess (Deficiency) of Revenue Over (Under) Expenses before Capital Revenue and Transfers	<u>(2,511,955)</u>	<u>(497,568)</u>
<u>Capital Grants, Contributions and Transfers</u>		
Capital Grants	1,083,651	0
Capital Contributions	0	472,000
Capital Transfer to Component Unit	<u>(208,466)</u>	<u>208,466</u>
Total Capital Grants, Contributions and Transfers	<u>875,185</u>	<u>680,466</u>
Results of Operations	(1,636,770)	182,898
Restated Beginning Net Position	<u>65,164,223</u>	<u>3,183,017</u>
ENDING NET POSITION	<u>\$ 63,527,453</u>	<u>\$ 3,365,915</u>

See accompanying notes to the basic financial statements.

STARK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014

	Primary Government	Component Units
<u>Cash Flows from Operating Activities</u>		
Cash Received from HUD and Other Governments	\$ 18,965,799	\$ 584,336
Cash Received from Tenants	5,043,793	673,639
Cash Received from Other Sources	531,772	1,918,726
Cash Payments for Housing Assistance Payments	(7,944,565)	0
Cash Payments for Administrative	(4,276,756)	(430,738)
Cash Payments for Other Operating Expenses	<u>(11,171,269)</u>	<u>(1,766,900)</u>
Net Cash Provided by Operating Activities	<u>1,148,774</u>	<u>979,423</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal Payments on Debt	(419,012)	(2,170,391)
Acquisition of Capital Assets	(1,132,246)	(1,289,583)
Debt Proceeds	200,000	0
Capital Grants and Contributions	1,083,651	472,000
Transfer to Component Units	(208,466)	208,466
Other Non-Current Assets	0	1,999,491
Net Cash (Used for) Capital and Other Related Financing Activities	<u>(476,073)</u>	<u>(780,017)</u>
<u>Cash Flows from Investing Activities</u>		
Investment Income	13,548	157
Interest Expense	<u>(321,556)</u>	<u>(107,645)</u>
Net Cash (Used for) by Investing Activities	<u>(308,008)</u>	<u>(107,488)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	364,693	91,918
Cash and Cash Equivalents, Beginning	<u>3,261,313</u>	<u>797,797</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,626,006</u>	<u>\$ 889,715</u>
<u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>		
Net Operating Income (Loss)	\$ (2,203,947)	\$ (390,080)
Net Cash Provided by Operating Activities		
Depreciation	4,981,353	560,616
Adjustment for Credit Union Assets	0	(409,811)
(Increase) Decrease in:		
Receivables - Net of Allowance	(698,986)	175,520
Inventory and Prepaid Expense	(75,585)	499
Due from Component Units	(15,451)	0
Increase (Decrease) in:		
Accounts Payable	(490,039)	119,293
Due to Primary Government	0	15,451
Non-Current Liabilities	(66,975)	(360,081)
Accrued Wages/Payroll Taxes	(172,533)	11,341
Intergovernmental Payable	222,404	(20,711)
Tenant Security Deposits	29,387	3,580
Deferred Credits/Other Liabilities	<u>(360,854)</u>	<u>863,995</u>
Net Cash Provided by Operating Activities	<u>\$ 1,148,774</u>	<u>\$ 979,423</u>

The component units had non-cash activity of \$(3,828,706) in other non-current assets.

See accompanying notes to the basic financial statements.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity and Programs

The Stark Metropolitan Housing Authority (the 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 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 ensure that the financial statements are not misleading consistent with GASB Statement No. 14, *The Financial Reporting Entity*. Based on application of the criteria set forth in GASB Statement No. 14 (as amended by GASB Statement No. 61), the Authority evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the Authority, and whether exclusion would cause the basic financial statements to be misleading

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

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

C. **Reporting Entity** (Continued)

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

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 four component units: the Freed Housing Corporation, the Washington Area Housing Agency, LLC, Alliance Senior Towers LLC and Hunter House LLC. 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. Separately issued audited financial statements can be obtained from the Authority.

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

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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

C. **Reporting Entity** (Continued)

Discretely Presented Component Units (Continued)

The Alliance Senior Tower, 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 Alliance Towers, a multi-family residential housing project in Stark County, Ohio. Separately issued audited financial statements can be obtained from the Authority.

The Hunter House, LLC, is a for-profit limited liability corporation formed under the laws of the State of Ohio. The entity was formed for the purpose of acquiring and operating Hunter House, a multi-family residential housing project in Stark County, Ohio. Hunter House, LLC, has a December 31st fiscal year end and the audited financial statements can be obtained from the Authority.

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

D. **Fund Accounting**

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

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

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**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

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

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. 62, *Codification of Accounting and Financial Reporting Guidance, Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

G. **Investments**

Investments are restricted by the provisions of the HUD Regulations (See Note 3). Investments are valued at market value. Interest income earned in fiscal year 2014 totaled \$13,548 for the primary government and \$157 for the component unit.

H. **Capital Assets**

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property have a useful life of more than one year and purchase price of \$5,000 or more per unit. 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 FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

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

H. **Capital Assets** (Continued)

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

Buildings	40 Years
Building and Improvements	15 Years
Furniture and Equipment Dwellings	5 to 10 Years
Furniture and Equipment Administrative	1 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 Grants and Contributions**

Capital Grants made available by HUD with respect to all federally aided projects under an annual contributions contract. Capital contributions in fiscal year 2014 came from the private investors in Hunter House, LLC.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

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

L. **Budgetary Accounting**

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

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.

N. **Inter-Program Loans**

Inter-Program Due to and Due from are reflected on the supplemental Financial Data Schedules (FDS) and are eliminated in the totals on both the FDS and the Statement of Net Position.

NOTE 2: **RESTATEMENT OF COMPONENT UNIT NET POSITION**

Hunter House PSH, LLC, a component unit of the Housing Authority, was audited for the first time for calendar year 2013. After this audit was completed, the following errors were noted in the financial statements:

- Non-Current assets were overstated in the amount of \$3,828,706
- Capital Assets were overstated by \$182,282

As a result, a restatement was made to the component unit net position balance at April 1, 2013 in the amount of \$(4,010,988).

NOTE 3: **DEPOSITS AND INVESTMENTS**

The Authority has adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This 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 position and change in net position in the prior or current year.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

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 withdrawable 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 \$2,552,750 (including \$1,672,005 of restricted funds and \$1,550 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 \$14,336 were covered by National Credit Union Share Insurance Fund, deposits totaling \$354,337 were covered by Federal Depository Insurance, and deposits totaling \$2,737,434 were uninsured and collateralized with securities held by the financial institution's trust department or agent, but not in the Authority's name.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

NOTE 3: **DEPOSITS AND INVESTMENTS** (CONTINUED)

A. **Deposits** (Continued)

Custodial Credit Risk (Continued)

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.

B. **Investments**

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. The Authority's investment in Wells Fargo 100% Treasury Money Market Fund matures in less than six months.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

B. Investments (Continued)

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. Credit risk does not apply to the Authority's investment in the Wells Fargo 100% Treasury Money Market Fund.

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	
	<u>Equivalents</u>	<u>Investments</u>
Per Statement of Net Position	\$ 3,626,006	\$ 0
Wells Fargo 100% Treasury Money Market Fund	<u>(1,073,256)</u>	<u>1,073,256</u>
Per GASB Statement No. 3	<u>\$ 2,552,750</u>	<u>\$ 1,073,256</u>

C. Component Units

At year end, the carrying amount of the component units' investments and deposits was \$889,715. Bank deposits of \$937,844 were covered by FDIC insurance and the balance was covered by a pledged collateral pool. Investments of the component units consisted of money market funds at a local financial institution.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

NOTE 4: RESTRICTED CASH

Restricted cash balances as of March 31, 2014 represents cash on hand for the following:

	<u>Primary Government</u>	<u>Component Units</u>
Tenant Security Deposit	\$ 417,413	\$ 45,113
Restricted HAP Cash	181,335	0
Bond Proceeds to be Used for Capital Improvement	1,073,257	0
Other Restricted Cash	<u>0</u>	<u>312,534</u>
Total Restricted Cash	<u>\$ 1,672,005</u>	<u>\$ 357,647</u>

NOTE 5: 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:

	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 10,000	\$ 262,463,410
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 coverages and no claims exceeded insurance coverage during the past three years.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)

NOTE 6: CAPITAL ASSETS

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

	Primary Government	Component Units	Totals
<i>Capital Assets Not Being Depreciated</i>			
Land	\$ 16,019,605	\$ 338,451	\$ 16,358,056
Construction in Progress	6,305,249	116,219	6,421,468
Total Capital Assets Not Being Depreciated	22,324,854	454,670	22,779,524
<i>Capital Assets Being Depreciated</i>			
Buildings and Building Improvements	154,290,865	11,254,011	165,544,876
Furniture and Equipment Dwelling	5,350,824	200,984	5,551,808
Less: Accumulated Depreciation	<u>(114,330,387)</u>	<u>(1,181,928)</u>	<u>(115,512,315)</u>
Total Capital Assets Being Depreciated	45,311,302	10,273,067	55,584,369
Total Capital Assets	\$ 67,636,156	\$ 10,727,737	\$ 78,363,893

The following is a summary of changes:

	Primary Government			
	Balance 03/31/2013	Additions	Deletions	Balance 03/31/2014
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 16,019,604	\$ 1	\$ 0	\$ 16,019,605
Construction in Progress	12,456,722	496,801	(6,648,274)	6,305,249
Total Capital Assets Not Being Depreciated	28,476,326	496,802	(6,648,274)	22,324,854
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	147,642,591	6,648,274	0	154,290,865
Furniture and Equipment Dwelling	4,715,381	635,443	0	5,350,824
Total Capital Assets Being Depreciated	152,357,972	7,283,717	0	159,641,689
Accumulated Depreciation:				
Buildings and Improvements	(108,432,865)	(4,251,091)	0	(112,683,956)
Furniture and Equipment	(916,170)	(730,261)	0	(1,646,431)
Subtotal Accumulated Depreciation	(109,349,035)	(4,981,352)	0	(114,330,387)
Net Capital Assets Being Depreciated	43,008,937	2,302,365	0	45,311,302
Total Primary Government	\$ 71,485,263	\$ 2,799,167	\$ (6,648,274)	\$ 67,636,156
	Component Units			
	Balance 03/31/2013	Additions	Deletions	Balance 03/31/2014
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 271,550	\$ 66,901	\$ 0	\$ 338,451
Construction in Progress	5,985,412	1,051,179	(6,920,372)	116,219
Total Capital Assets Not Depreciated	6,256,962	1,118,080	(6,920,372)	454,670
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	4,515,921	6,920,372	(182,282)	11,254,011
Furniture and Equipment Dwelling	35,178	171,503	(5,697)	200,984
Total Capital Assets Being Depreciated	4,551,099	7,091,875	(187,979)	11,454,995
Accumulated Depreciation:				
Buildings	(619,437)	(536,336)	0	(1,155,773)
Furniture, Machinery & Equipment	(7,572)	(24,280)	5,697	(26,155)
Total Capital Assets Being Depreciated	(627,009)	(560,616)	5,697	(1,181,928)
Net Capital Assets Being Depreciated	3,924,090	6,531,259	(182,282)	10,273,067
Net Component Units	\$ 10,181,052	\$ 7,649,339	\$ (7,102,654)	\$ 10,727,737

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

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

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulated retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377, or by using the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013-2014, member and employer rates were consistent across all three plans. The 2013-2014 member contributions rates were 10.0 percent for members, and 14.0 percent for employers of covered payroll. The Authority's contributions for the years ended March 31, 2014, 2013, and 2012, \$672,924, \$660,382, and \$662,378, respectively. These costs have been charged to the employee fringe benefit account. All required payments of contributions have been made through March 31, 2014.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

B. Funding Policy (Continued)

Employer contributions rates are expressed as a percentage of the covered payroll of active members. In 2013-2014 periods, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code (401(h)). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 1.0 percent for Stark Metropolitan Housing Authority's period ended December 31, 2013. The percentage changed to 2.0 percent effective January 1, 2014.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended March 31, 2014, 2013, and 2012 which were used to fund post-employment benefits were \$60,083, \$239,624, and \$236,562, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 2, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 9: **SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

The accompanying Schedule of Expenditure of Federal Awards 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

NOTE 10: COMPENSATED ABSENCES

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

All permanent employees earn 4.6 hours sick leave per eighty (80) hours of service. Unused sick leave may be accumulated without limit. At the time of separation, if an employee or retiree qualifies under OPERS, and if the employee or retiree 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 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 March 31, 2014:

<u>Description</u>	<u>Balance at 3/31/13</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 3/31/14</u>	<u>Due Within One Year</u>
Liability Amount	\$ 544,753	\$ 120,818	\$ 204,609	\$ 460,962	\$ 46,097

NOTE 11: LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations during fiscal year 2014 are as follows:

<u>Description</u>	<u>Balance at 3/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 3/31/14</u>	<u>Due Within One Year</u>
<u>General Long-Term Obligations</u>					
<i>Primary Government</i>					
Long-Term Debt:					
First Merit - Washington	\$ 0	\$ 200,000	\$ (12,980)	\$ 187,020	\$ 187,020
First Merit - Cleveland Ave.	737,216	0	(126,032)	611,184	611,184
Fifth Third - Equipment Lease	1,889,241	0	0	1,889,241	0
Ohio Housing Finance Agency, Serial Bonds, 07/17/07	6,280,160	0	(280,000)	6,000,160	290,000
<i>Total Primary Government</i>	<u>\$ 8,906,617</u>	<u>\$ 200,000</u>	<u>\$ (419,012)</u>	<u>\$ 8,687,605</u>	<u>\$ 1,088,204</u>
<i>Component Units</i>					
Freed Housing Corporation, (Various Notes)	\$ 622,094	\$ 0	\$ (107,687)	\$ 514,407	\$ 0
Washington Area, Housing Agency, LLC	253,651	0	(36,965)	216,686	45,996
Alliance Senior Tower, LLC	2,104,946	0	(19,688)	2,085,258	21,237
Hunter House, LCC.	5,251,843	0	(2,006,051)	3,245,792	0
<i>Total Component Units</i>	<u>\$ 8,232,534</u>	<u>\$ 0</u>	<u>\$(2,170,391)</u>	<u>\$ 6,062,143</u>	<u>\$ 67,233</u>

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

NOTE 11: **LONG-TERM DEBT** (Continued)

The Authority was obligated on the following notes as of March 31, 2014:

First Merit Bank	
Note dated April 26, 2013, in the amount of \$200,000 payable in monthly installments of \$1,218, at a fixed interest rate of 4.00%. The note was used for improvements for Alliance Towers. The Authority and First Merit Bank have entered into a forbearance agreement. (See Note 17).	\$ 187,020
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. The Authority and First Merit Bank have entered into a forbearance agreement. (See Note 17)	611,184
Fifth Third Bank	
Note dated May 22, 2006; due January 2017; payable in monthly installment 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. The Authority has suspended payments since January 2013 and is in default on the loan. Fifth Third Bank and the Authority are in discussion regarding resolution of this debt.	1,889,241
Ohio Housing Finance Agency	
Note dated July 17, 2007, due March 2027, funding 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.	6,000,160
Total	\$ 8,687,605

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

	Principal	Interest	Total
2015	\$ 1,088,204	\$ 312,750	\$ 1,400,954
2016	305,000	267,875	572,875
2017	2,209,241	252,250	2,461,491
2018	340,000	235,750	575,750
2019	360,000	218,250	578,250
2020-2024	2,085,000	796,375	2,881,375
2025-2028	2,300,160	216,750	2,516,910
Total	\$ 8,687,605	\$ 2,300,000	\$10,987,605

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)

NOTE 11: **LONG-TERM DEBT** (Continued)

The debt schedule for the component units is as follows:

Freed Housing:

First Merit Bank - Various Promissory Notes \$ 514,407

Alliance Senior Tower LLC:

First Mortgage - Principal Amount - \$922,900 - Interest Rate of 1.0% 759,065

2nd Mortgage - Payable to Department of HUD
Interest Rate of 1.0% 1,182,280

3rd Mortgage - Payable to Department of HUD
Interest Rate of 1.0% 143,913

Hunter House PSH, LLC -

OHFA Loan 2,000,000

HDAP Loan 1,100,000

Home Loans 145,792

Washington Area Housing Agency, LLC 216,686

Total \$6,062,143

Amortization of the debt was not available.

NOTE 12: **CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS**

	Hunter House PSH, LLC	Freed Housing Corporation	Washington Housing LLC	Alliance Senior Towers LLC	Total
<u>Balance Sheet</u>					
Current Assets	\$ 222,470	\$ 166,959	\$ 175,145	\$ 558,491	\$ 1,123,065
Capital Assets	6,702,265	1,570,510	358,349	2,096,613	10,727,737
Other Assets	0	353,742	0	0	353,742
Current Liabilities	(1,442,663)	(864,158)	(91,260)	(445,638)	(2,843,719)
Non-Current Liabilities	<u>(3,245,792)</u>	<u>(514,407)</u>	<u>(170,690)</u>	<u>(2,064,021)</u>	<u>(5,994,910)</u>
Net Position	<u>\$ 2,236,280</u>	<u>\$ 712,646</u>	<u>\$ 271,544</u>	<u>\$ 145,445</u>	<u>\$ 3,365,915</u>
<u>Revenue Expenses and Changes in Equity</u>					
Total Revenue	\$ 1,895,917	\$ 679,722	\$ 307,889	\$ 711,307	\$ 3,594,835
Total Expenses	<u>1,886,513</u>	<u>879,190</u>	<u>231,493</u>	<u>623,207</u>	<u>3,620,403</u>
Excess of Revenue Over Expenses	9,404	(199,468)	76,396	88,100	(25,568)
Transfers In	0	208,466	0	0	208,466
Beginning Net Position	6,237,864	703,648	195,148	57,345	7,194,005
Prior Period Adjustment	<u>(4,010,988)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,010,988)</u>
Ending Net Position	<u>\$ 2,236,280</u>	<u>\$ 712,646</u>	<u>\$ 271,544</u>	<u>\$ 145,445</u>	<u>\$ 3,365,915</u>

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

NOTE 13: **CONTINGENCIES**

Litigations and Claims

In the normal course of operations, the Authority may be subjected to litigation and claims. At March 31, 2014, the Authority is involved in several matters. While the outcome of these matter cannot presently be determined, management believes that the ultimate resolution will not have a material effect on the financial statements.

Inspector General Audit/HUD Review

The HUD Inspector General Office performed a review of the Authority's ARRA funds and the Public Housing Program, and the HUD Cleveland Office is performing a review of the Authority's financial statements. These reports are referenced on page 53 of this report.

The Authority received financial assistance from HUD in the form of annual contribution contract. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant award and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, the effect of any such disallowed claims on the overall financial position of the Authority at March 31, 2014, if applicable, cannot be determined at this time.

NOTE 14: **RELATED PARTY TRANSACTIONS**

The Authority has entered into a memorandum of understanding with Ruthe and Isadore Freed Housing Corporation (the Corporation) to operate the HOME Investment Partnerships (HOME) Program on behalf of the Authority. Under the HOME Program, HUD allocated funds to the participating jurisdictions to be used to implement housing strategies in accordance with Federal HOME Program regulations. The Authority is designated as the Participating Jurisdiction for all of Stark County, except for the City of Canton and the Village of Hills and Dales.

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**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

NOTE 14: **RELATED PARTY TRANSACTIONS** (Continued)

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 no employees that are reported to the Internal Revenue Services under its federal identification number. The Corporation uses the Authority staff to perform the duties necessary to operate the HOME Program. Those individuals working on the Corporation activities are coded in the accounting records as working on those functions and reported on the Corporation financial statements.

In addition, the Authority also had the Corporation operate its Shelter Plus Care Program and its Section 8 Moderate Rehabilitation Single Room Occupancy Program during this fiscal year.

For the fiscal year ending March 31, 2014, the total fees that the Authority paid to the Corporation was as follows:

Shelter Plus Care	\$ 30,955
Single Room Occupancy Program	\$ 5,184
HOME Program	\$ 12,922

NOTE 15: **RESTRICTED NET POSITION**

For the fiscal year ended March 31, 2014, the Authority had \$181,335 in its HAP reserve for the Section 8 program.

NOTE 16: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

For 2014, the Authority has implemented GASB Statement No. 66, *Technical Corrections - 2012 - An Amendment of GASB Statement No. 10 and No. 62*.

The objective of GASB Statement No. 66, *Technical Corrections - 2012 - An Amendment of GASB Statements No. 10 and No. 62*, is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements for this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Authority.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
(CONTINUED)**

NOTE 17: SUBSEQUENT EVENTS

Effective May 15, 2014, the Authority entered into a Forbearance Agreement with First Merit Bank, N.A. (FM). As of October 23, 2014, the Authority was in default on three loans with a total principal amount of \$917,679. In accordance with the Forbearance Agreement, the Authority agreed to list two properties (Washington Town Homes and Hillview) with qualified real estate agents/brokers. In return, First Merit agreed to forbear from exercising its rights and remedies against the Obligors, the Authority, until June 30, 2015.

Since May 15, 2014, the Authority has entered into a purchase agreement with a potential qualified buyer for both properties. The Authority anticipates that the proceeds from the sale of the two properties will be enough to fully pay off the debt owed to First Merit. The transfer of the properties must receive the approval of HUD. The Authority has notified HUD of its intent to sell the properties and is waiting authorization.

Effective May 5, 2014, the Authority entered into a Settlement and Release Agreement with Stark Metropolitan Housing Authority Federal Credit Union, a federal credit union (CU). The agreement releases all claims and settles all lawsuits between the parties. In consideration of the compromise, settlement of the disputes, and the mutual release, the CU agreed to pay the Authority \$100,000. In addition, the Authority agrees to lease and CU agrees to rent the Cage Garden Complex at 2415 Edith Court NE Canton, Ohio 44705, for one year with four (4) one year options exercisable at the CU discretion of \$6.50 per square foot.

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2014**

	Project Total	State/Local	Component Units	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.239 HOME Investment Partnerships Program	14.238 Shelter Plus Care
111 Cash - Unrestricted	1,172,607	51,913	532,068	40,534	7,145	77,045
112 Cash - Restricted - Modernization and Development	1,073,257	-	-	-	-	-
113 Cash - Other Restricted	-	-	312,534	-	-	-
114 Cash - Tenant Security Deposits	402,269	15,144	45,113	-	-	-
100 Total Cash	2,648,133	67,057	889,715	40,534	7,145	77,045
122 Accounts Receivable - HUD Other Projects	608,191	-	-	1,161	-	-
125 Accounts Receivable - Miscellaneous	-	-	125,924	-	-	-
126 Accounts Receivable - Tenants	128,515	57,152	60,158	-	-	-
126.1 Allowance for Doubtful Accounts - Tenants	(15,946)	(43,667)	(7,688)	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-
128 Fraud Recovery	-	-	-	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	720,760	13,485	178,394	1,161	-	-
142 Prepaid Expenses and Other Assets	103,791	-	34,669	-	-	-
143 Inventories	364,746	-	20,287	-	-	-
143.1 Allowance for Obsolete Inventories	(36,475)	-	-	-	-	-
144 Inter Program Due From	4,036,291	23,000	-	-	32,686	-
150 Total Current Assets	7,837,246	103,542	1,123,065	41,695	39,831	-
161 Land	15,395,155	19,600	338,451	-	-	-
162 Buildings	140,513,942	1,722,484	11,254,011	-	-	-
163 Furniture, Equipment & Machinery - Dwellings	2,222,770	-	193,412	-	-	-
164 Furniture, Equipment & Machinery - Administration	1,908,338	9,650	7,572	-	-	-
166 Accumulated Depreciation	(109,551,912)	(969,953)	(1,181,928)	-	-	-
167 Construction in Progress	5,016,387	931,152	116,219	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	55,504,680	1,712,933	10,727,737	-	-	-
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	353,742	-	-	-
180 Total Non-Current Assets	55,504,680	1,712,933	11,081,479	-	-	-
190 Total Assets	63,341,926	1,816,475	12,204,544	41,695	39,831	-

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2014**

	14.871 Housing Choice Vouchers	14.856 Lower Income Housing Assistance Program Section 8 Moderate	COCC	Sub total	FLIM	Total
111 Cash - Unrestricted	1,836	140,580	462,341	2,486,069		2,486,069
112 Cash - Restricted - Modernization and Development	-	-	-	1,073,257		1,073,257
113 Cash - Other Restricted	181,335	-	-	493,869		493,869
114 Cash - Tenant Security Deposits	-	-	-	462,526		462,526
100 Total Cash	183,171	140,580	462,341	4,515,721	-	4,515,721
122 Accounts Receivable - HUD Other Projects	-	-	-	609,352		609,352
125 Accounts Receivable - Miscellaneous	-	-	620,003	745,927		745,927
126 Accounts Receivable - Tenants	-	-	-	245,825		245,825
126.1 Allowance for Doubtful Accounts - Tenants	-	-	-	(67,301)		(67,301)
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	0		0
128 Fraud Recovery	6,753	-	-	6,753		6,753
128.1 Allowance for Doubtful Accounts - Fraud	(4,100)	-	-	(4,100)		(4,100)
120 Total Receivables, Net of Allowances for Doubtful Accounts	2,653	-	620,003	1,536,456	-	1,536,456
142 Prepaid Expenses and Other Assets	7,400	-	7,975	153,835		153,835
143 Inventories	-	-	-	385,033		385,033
143.1 Allowance for Obsolete Inventories	-	-	-	(36,475)		(36,475)
144 Inter Program Due From	15,856	-	3,954,973	8,062,806	(8,062,806)	-
150 Total Current Assets	209,080	140,580	5,045,292	14,617,376	(8,062,806)	6,554,570
161 Land	-	-	604,850	16,358,056		16,358,056
162 Buildings	-	-	12,054,439	165,544,876		165,544,876
163 Furniture, Equipment & Machinery - Dwellings	-	-	-	2,416,182		2,416,182
164 Furniture, Equipment & Machinery - Administration	-	-	1,210,066	3,135,626		3,135,626
166 Accumulated Depreciation	-	-	(3,808,522)	(115,512,315)		(115,512,315)
167 Construction in Progress	-	-	357,710	6,421,468		6,421,468
160 Total Capital Assets, Net of Accumulated Depreciation	-	-	10,418,543	78,363,893	-	78,363,893
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	353,742		353,742
180 Total Non-Current Assets	-	-	10,418,543	78,717,635	-	78,717,635
190 Total Assets	209,080	140,580	15,463,835	93,335,011	(8,062,806)	85,272,205

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2014**

	Project Total	State/Local	Component Units	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.239 HOME Investment Partnerships Program	14.238 Shelter Plus Care
311 Bank Overdraft	1,254	-	0	-	-	-
312 Accounts Payable <= 90 Days	13,921	739	548,930	-	-	101
321 Accrued Wage/Payroll Taxes Payable	-	-	16,308	-	-	-
322 Accrued Compensated Absences - Current Portion	30,056	-	0	-	-	-
325 Accrued Interest Payable	145,000	-	213,648	-	-	-
331 Accounts Payable - HUDPHA Programs	-	-	6,352	-	-	53,277
333 Accounts Payable - Other Government	205,246	-	0	-	-	-
341 Tenant Security Deposits	402,269	15,144	45,113	-	-	-
342 Unearned Revenue	17,063	423	56,023	-	-	-
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	290,000	-	67,233	-	-	-
345 Other Current Liabilities	-	5,682	977,539	-	-	-
347 Inter-Program - Due To	378,718	650,936	912,573	22,525	7,587	23,667
310 Total Current Liabilities	1,483,527	672,924	2,843,719	22,525	7,587	77,045
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	5,710,160	-	5,994,910	-	-	-
354 Accrued Compensated Absences - Non Current	270,493	-	-	-	-	-
350 Total Non-Current Liabilities	5,980,653	-	5,994,910	-	-	-
300 Total Liabilities	7,464,180	672,924	8,838,629	22,525	7,587	77,045
508.4 Net Investment in Capital Assets	49,504,520	1,712,933	4,665,594	-	-	-
511.4 Restricted Net Position	-	-	312,534	-	-	-
512.4 Unrestricted Net Position	6,373,226	(569,382)	(1,612,213)	19,170	32,244	-
513 Total Equity - Net Assets / Position	55,877,746	1,143,551	3,365,915	19,170	32,244	-
600 Total Liab, Def. Inflow of Res., and Equity - Net Assets / Position	63,341,926	1,816,475	12,204,544	41,695	39,831	77,045

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2014**

	14.871 Housing Choice Vouchers	14.856 Lower Income Housing Assistance Program Section 8 Moderate	COCC	Sub total	ELIM	Total
311 Bank Overdraft	-	-	-	1,254		1,254
312 Accounts Payable <= 90 Days	-	-	83,383	647,074		647,074
321 Accrued Wage/Payroll Taxes Payable	-	-	229,990	246,298		246,298
322 Accrued Compensated Absences - Current Portion	2,761	-	13,280	46,097		46,097
325 Accrued Interest Payable	-	-	2,760	361,408		361,408
331 Accounts Payable - HUD FHA Programs	134	127,828	-	187,591		187,591
333 Accounts Payable - Other Government	-	-	-	205,246		205,246
341 Tenant Security Deposits	-	-	-	462,526		462,526
342 Unearned Revenue	-	-	-	73,509		73,509
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	798,204	1,155,437		1,155,437
345 Other Current Liabilities	-	-	-	983,221		983,221
347 Inter Program - Due To	-	10,129	6,056,671	8,062,806	(8,062,806)	-
310 Total Current Liabilities	2,895	137,957	7,184,288	12,432,467	(8,062,806)	4,369,661
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	1,889,241	13,594,311		13,594,311
354 Accrued Compensated Absences - Non Current	24,830	-	119,522	414,865		414,865
350 Total Non-Current Liabilities	24,830	-	2,008,763	14,009,176	-	14,009,176
300 Total Liabilities	27,745	137,957	9,193,051	26,441,643	(8,062,806)	18,378,837
508.4 Net Investment in Capital Assets	-	-	7,731,098	63,614,145		63,614,145
511.4 Restricted Net Position	181,335	-	-	493,869		493,869
512.4 Unrestricted Net Position	-	2,623	(1,460,314)	2,785,354		2,785,354
513 Total Equity - Net Assets / Position	181,335	2,623	6,270,784	66,893,368	-	66,893,368
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	209,080	140,580	15,463,835	93,335,011	(8,062,806)	85,272,205

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2014**

	Project Total	State/Local	Component Units	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,239 HOME Investment Partnerships Program	14,238 Shelter Plus Care
70300 Net Tenant Rental Revenue	5,143,544	246,638	622,596	-	-	-
70400 Tenant Revenue - Other	17,927	430	600	-	-	-
70500 Total Tenant Revenue	5,161,471	247,068	623,196	-	-	-
70600 HUD PHA Operating Grants	10,407,354	-	-	113,522	-	703,500
70610 Capital Grants	1,083,651	-	-	-	-	-
70710 Management Fee	-	-	-	-	-	-
70720 Asset Management Fee	-	-	-	-	-	-
70730 Book Keeping Fee	-	-	-	-	-	-
70700 Total Fee Revenue	-	-	-	-	-	-
70800 Other Government Grants	-	-	584,336	-	215,614	-
71100 Investment Income - Unrestricted	3,062	54	157	-	-	-
71400 Fraud Recovery	-	-	-	-	-	-
71500 Other Revenue	191,525	5,864	1,915,146	-	21,352	-
70000 Total Revenue	16,847,063	253,006	3,122,835	113,522	236,966	703,500
91100 Administrative Salaries	716,877	6,369	157,787	-	-	-
91200 Auditing Fees	14,359	37	10,394	5,000	-	-
91300 Management Fee	2,455,504	2,273	32,765	5,184	12,922	30,569
91310 Book-keeping Fee	218,622	2,535	12,378	3,240	260	-
91500 Employee Benefit contributions - Administrative	434,807	3,973	98,137	-	536	-
91600 Office Expenses	217,815	1,221	36,194	39	30	103
91700 Legal Expense	39,160	900	371	-	-	-
91800 Travel	1,196	-	-	-	-	-
91900 Other	316,489	3,665	93,693	-	101	27,534
91000 Total Operating - Administrative	4,414,829	20,973	441,719	13,463	13,849	58,206
92000 Asset Management Fee	215,880	-	-	-	-	-
92100 Tenant Services - Salaries	5,215	-	25,627	-	-	-
92300 Employee Benefit Contributions - Tenant Services	(162)	-	15,364	-	-	-
92400 Tenant Services - Other	45	-	3,748	-	-	-
92500 Total Tenant Services	5,098	-	44,739	-	-	-
93100 Water	443,303	13,074	32,307	-	-	-
93200 Electricity	976,368	25,424	175,132	-	-	-
93300 Gas	1,189,333	25,327	42,966	-	-	-
93600 Sewer	478,170	11,600	25,832	-	-	-
93000 Total Utilities	3,087,174	75,425	276,237	-	-	-
94100 Ordinary Maintenance and Operations - Labor	3,062,007	38,938	138,084	-	-	-
94200 Ordinary Maintenance and Operations - Materials and Other	500,316	3,992	8,618	-	-	-
94300 Ordinary Maintenance and Operations Contracts	570,665	30,888	45,851	-	-	-
94500 Employee Benefit Contributions - Ordinary Maintenance	789,751	1,846	14,371	-	-	-
94000 Total Maintenance	4,922,739	75,664	206,924	-	-	-

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2014**

	14.871 Housing Choice Vouchers	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	-	-	-	6,012,778		6,012,778
70400 Tenant Revenue - Other	-	-	-	18,977		18,977
70500 Total Tenant Revenue	-	-	-	6,031,755	-	6,031,755
70600 HUD PHA Operating Grants	7,478,488	459,137	-	19,162,001		19,162,001
70610 Capital Grants	-	-	-	1,083,651		1,083,651
70710 Management Fee	-	-	2,611,818	2,611,818	(2,611,818)	-
70720 Asset Management Fee	-	-	215,880	215,880	(215,880)	-
70730 Book Keeping Fee	-	-	370,603	370,603	(370,603)	-
70700 Total Fee Revenue	-	-	3,198,301	3,198,301	(3,198,301)	-
70800 Other Government Grants	-	-	-	799,950		799,950
71100 Investment Income - Unrestricted	70	-	10,362	13,705		13,705
71400 Fraud Recovery	14,918	-	-	14,918		14,918
71500 Other Revenue	1,872	-	343,159	2,478,918		2,478,918
70000 Total Revenue	7,495,348	459,137	3,551,822	32,783,199	(3,198,301)	29,584,898
91100 Administrative Salaries	229,069	24,448	1,198,000	2,332,550		2,332,550
91200 Auditing Fees	2,227	9,000	1,829	42,846		42,846
91300 Management Fee	69,833	2,768	-	2,611,818	(2,611,818)	-
91310 Book-keeping Fee	127,088	6,480	-	370,603	(370,603)	-
91500 Employee Benefit contributions - Administrative	168,093	17,847	274,880	998,273		998,273
91600 Office Expenses	43,632	5,141	139,827	444,002		444,002
91700 Legal Expense	5,561	-	129,971	175,963		175,963
91800 Travel	-	-	14	1,210		1,210
91900 Other	20,732	854	193,588	656,656		656,656
91000 Total Operating - Administrative	666,235	66,538	1,938,109	7,633,921	(2,982,421)	4,651,500
92000 Asset Management Fee	-	-	-	215,880	(215,880)	-
92100 Tenant Services - Salaries	-	-	100,800	131,642		131,642
92300 Employee Benefit Contributions - Tenant Services	-	-	78,982	94,184		94,184
92400 Tenant Services - Other	-	-	4,094	7,887		7,887
92500 Total Tenant Services	-	-	183,876	233,713	-	233,713
93100 Water	-	-	4,450	493,134		493,134
93200 Electricity	-	-	91,664	1,268,588		1,268,588
93300 Gas	-	-	9,823	1,267,449		1,267,449
93600 Sewer	-	-	1,205	516,807		516,807
93000 Total Utilities	-	-	107,142	3,545,978	-	3,545,978
94100 Ordinary Maintenance and Operations - Labor	733	-	176,000	3,415,762		3,415,762
94200 Ordinary Maintenance and Operations - Materials and Other	727	-	4,106	517,759		517,759
94300 Ordinary Maintenance and Operations Contracts	497	-	35,649	683,550		683,550
94500 Employee Benefit Contributions - Ordinary Maintenance	-	-	3,735	809,703		809,703
94000 Total Maintenance	1,957	-	219,490	5,426,774	-	5,426,774

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2014**

	Project Total	State/Local	Component Units	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.239 HOME Investment Partnerships Program	14.238 Shelter Plus Care
95100 Protective Services - Labor	82,960	-	35,090	-	-	-
95200 Protective Services - Other Contract Costs	144,895	-	20,548	-	-	-
95300 Protective Services - Other	8,081	-	1,049	-	-	-
95500 Employee Benefit Contributions - Protective Services	21,442	-	19,864	-	-	-
95000 Total Protective Services	257,378	-	76,551	-	-	-
96110 Property Insurance	320,250	8,804	37,336	-	-	-
96120 Liability Insurance	108,988	3,889	3,099	-	-	-
96130 Workmen's Compensation	9,107	25	690	-	-	-
96140 All Other Insurance	29,801	-	541	-	-	-
96100 Total insurance Premiums	468,146	12,718	41,666	-	-	-
96200 Other General Expenses	45,702	39,489	1,580,871	-	120,268	-
96210 Compensated Absences	107,403	-	-	-	-	-
96300 Payments in Lieu of Taxes	56,978	9,850	11,231	-	-	-
96400 Bad debt - Tenant Rents	156,837	43,303	18,442	-	-	-
96000 Total Other General Expenses	366,920	92,642	1,610,544	-	120,268	-
96710 Interest of Mortgage (or Bonds) Payable	296,300	-	107,645	-	-	-
96700 Total Interest Expense and Amortization Cost	296,300	-	107,645	-	-	-
96900 Total Operating Expenses	14,034,464	277,422	2,806,025	13,463	134,117	58,206
97000 Excess of Operating Revenue over Operating Expenses	2,812,599	(24,416)	316,810	100,059	102,849	645,294
97200 Casualty Losses - Non-capitalized	150,460	-	253,762	-	-	-
97300 Housing Assistance Payments	-	-	-	84,577	87,019	653,493
97400 Depreciation Expense	4,333,399	88,441	560,616	-	-	-
90000 Total Expenses	18,518,323	365,863	3,620,403	98,040	221,136	711,699
10010 Operating Transfer In	3,223,759	-	-	-	-	-
10020 Operating transfer Out	-3,223,759	-	-	-	-	-
10080 Special Items (Net Gain/Loss)	-	-	472,000	-	-	-
10100 Total Other financing Sources (Uses)	-	-	472,000	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(1,671,260)	(112,857)	(25,568)	15,482	15,830	(8,199)
11020 Required Annual Debt Principal Payments	290,000	-	67,233	-	-	-
11030 Beginning Equity	57,549,006	1,256,408	7,194,005	3,688	16,414	8,199
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	(3,802,522)	-	-	-
11180 Housing Assistance Payments Equity	-	-	-	-	-	-
11190 Unit Months Available	30,564	672	2,597	432	324	1,509
11210 Number of Unit Months Leased	29,205	350	2,278	421	271	1,374

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2014**

	14.871 Housing Choice Vouchers	14.856 Lower Income Housing Assistance Program Section 8 Moderate	COCC	Subtotal	ELIM	Total
95100 Protective Services - Labor	-	-	136,440	254,490		254,490
95200 Protective Services - Other Contract Costs	-	-	19,166	184,609		184,609
95300 Protective Services - Other	-	-	2,826	11,956		11,956
95500 Employee Benefit Contributions - Protective Services	-	-	20,940	62,246		62,246
95000 Total Protective Services	-	-	179,372	513,301	-	513,301
96110 Property Insurance	0	-	9,083	375,473		375,473
96120 Liability Insurance	19,485	1,464	-	136,925		136,925
96130 Workmen's Compensation	857	92	3,810	14,581		14,581
96140 All Other Insurance	1,844	-	3,463	35,649		35,649
96100 Total insurance Premiums	22,186	1,556	16,356	562,628	-	562,628
96200 Other General Expenses	7,366	81	8,021	1,801,798		1,801,798
96210 Compensated Absences	13,262	-	36,233	156,898		156,898
96300 Payments in Lieu of Taxes	-	-	1,582	79,641		79,641
96400 Bad debt - Tenant Rents	-	-	-	218,582		218,582
96000 Total Other General Expenses	20,628	81	45,836	2,256,919	-	2,256,919
96710 Interest of Mortgage (or Bonds) Payable	-	-	25,256	429,201		429,201
96700 Total Interest Expense and Amortization Cost	-	-	25,256	429,201	-	429,201
96900 Total Operating Expenses	711,006	68,175	2,715,437	20,818,315	(3,198,301)	17,620,014
97000 Excess of Operating Revenue over Operating Expenses	6,784,342	390,962	836,385	11,964,884	-	11,964,884
97200 Casualty Losses - Non-capitalized	-	-	-	404,222		404,222
97300 Housing Assistance Payments	6,730,531	388,945	-	7,944,565		7,944,565
97400 Depreciation Expense	-	-	559,513	5,541,969		5,541,969
90000 Total Expenses	7,441,537	457,120	3,274,950	34,709,071	(3,198,301)	31,510,770
10010 Operating Transfer In	-	-	-	3,223,759	(3,223,759)	-
10020 Operating transfer Out	-	-	-	-3,223,759	3,223,759	-
10080 Special Items (Net Gain/Loss)	-	-	-	472,000		472,000
10100 Total Other financing Sources (Uses)	-	-	-	472,000	-	472,000
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	53,811	2,017	276,872	(1,453,872)	-	(1,453,872)
11020 Required Annual Debt Principal Payments	-	-	61,079	418,312		418,312
11030 Beginning Equity	127,524	606	6,202,378	72,358,228		72,358,228
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	(208,466)	(4,010,988)		(4,010,988)
11180 Housing Assistance Payments Equity	181,335	-	-	181,335		181,335
11190 Unit Months Available	17,107	1,056	-	54,261		54,261
11210 Number of Unit Months Leased	16,945	862	-	51,706		51,706

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs</i>		
Conventional Low-Income Housing Program	14.850	\$ 7,662,302
<u>Section 8 Project Based Cluster</u>		
Section 8 New Construction and Moderate Rehabilitation Programs:		
Moderate Rehabilitation Single Room Occupancy	14.249	113,522
Moderate Rehabilitation	14.856	<u>459,137</u>
Total Section 8 Project Based Cluster		<u>572,659</u>
<u>Housing Choice Voucher Program Cluster</u>		
Housing Choice Voucher Program	14.871	<u>7,478,488</u>
Total Housing Choice Voucher Program Cluster		<u>7,478,488</u>
<u>Capital Fund Program Cluster</u>		
Capital Fund Program	14.872	<u>3,828,703</u>
Total Capital Fund Program Cluster		<u>3,828,703</u>
Shelter Plus Care	14.238	<u>703,500</u>
Home Investment Partnership Program	14.239	<u>215,614</u>
<i>Total Direct Programs</i>		<u>20,461,266</u>
Total U.S. Department of Housing and Urban Development		<u>20,461,266</u>
TOTAL ALL PROGRAMS		<u>\$ 20,461,266</u>

See accompanying note to the Schedule of Expenditures of Federal Awards.

STARK METROPOLITAN HOUSING AUTHORITY
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal financial assistance programs of the Stark Metropolitan Housing Authority (the “Authority”). The Authority’s reporting entity is defined in Note 1 to the Authority’s financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is required to be included on the Schedule.

The information presented in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Catalog of Federal Domestic Assistance (“CFDA”) numbers are presented for each federal grant.

Revenue and expenses are presented on an accrual basis of accounting with the exception of capital assets and depreciation. For purposes of the Schedule, depreciation expense is not recorded and the cost of capital asset additions is included as an expenditure.

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

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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
Canton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the 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, 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 fiscal year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Stark Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated October 23, 2014, wherein we noted that our report includes a reference to other auditors who audited the financial statements of Hunter House PSH, LLC as described in our report on the Stark Metropolitan Housing Authority, Ohio's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting on compliance and other matters that were reported on separately by those auditors. We also noted the Authority restated the net position of one of the component units for an error in non-current and capital assets.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over reporting that we consider to be a material weakness.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2014-001** to be a material weakness.

Compliance and Other Matters

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

Stark Metropolitan Housing Authority's Response to Finding

The Stark Metropolitan Housing Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

October 23, 2014

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

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Stark Metropolitan Housing Authority
Canton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Stark Metropolitan Housing Authority, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Stark Metropolitan Housing Authority, Ohio's major federal programs for the year ended March 31, 2014. The Stark Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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; and 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Basis for Qualified Opinion on the Conventional Low-Income Housing Program

As described in the accompanying Schedule of Findings and Questions Costs, the Stark Metropolitan Housing Authority did not comply with requirements regarding CFDA 14.850 - Conventional Low-Income Housing Program as described in **Finding 2014-002** for Activities Allowed or Unallowed. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on the Conventional Low-Income Housing Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Conventional Low-Income Housing Program for the year ended March 31, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs for the year ended March 31, 2014.

Report on Internal Control Over Compliance

The management of the Stark Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2014-002** to be a material weakness.

Stark Metropolitan Housing Authority's Response to Finding

The Stark Metropolitan Housing Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka CPA, Inc.
Certified Public Accountants

October 23, 2014

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
MARCH 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2014(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
2014(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2014(v)	Type of Major Programs' Compliance Opinion	Unmodified: Capital Fund Program Qualified: Conventional Low Income Housing Program
2014(vi)	Are there any reportable findings under .510(a)?	Yes
2014(vii)	Major Programs (list): Conventional Low Income Housing Program - CFDA # 14.850 Capital Fund Program - CFDA #14.872	
2014(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$613,838 Type B: > all others
2014(ix)	Low Risk Auditee?	No

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
MARCH 31, 2014
(CONTINUED)**

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

Finding No. 2014-001 – Material Weakness – Internal Control Over Financial Reporting

Statement of Condition/Criteria

Financial reporting is the responsibility of the Authority's Finance Department and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During the annual financial statement preparation process, we identified the following errors to the financial statements:

1. Overstatement of capital assets for one of the component units in the amount of \$182,282.
2. Overstatement of \$3,828,706 of non-current other assets for one of the component units.

As a result, audit adjustments have been proposed and made to correct the balance for these accounts and net position for a total of \$4,010,988.

Cause/Effect

The changes in financial presentation resulted in a prior period adjustment to the various accounts as noted above. Also, the lack of controls over financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of financial data at year end.

Recommendation

We recommend that the Authority implement controls and procedures related to financial reporting that enables management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Client Response - Corrective Action

Effective September 1, 2014 Stark Metropolitan Housing Authority is no longer responsible for the financial reporting for the respective component unit. Effective September 1, 2014, Emerald Development and Economic Network, Inc. (EDEN) which has expertise in mixed financed tax credit properties is responsible for the financial reporting.

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
MARCH 31, 2014
(CONTINUED)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding No. 2014-002 - Material Weakness - Material Non-Compliance - Conventional Low-Income Housing Program - Allowable Activities

CFDA Title and Number: Conventional Low-Income Housing Program - CFDA #14.850
Federal Award Year: 2013 - 2014
Federal Agency: U.S. Department of Housing and Urban Development
Pass-Through Agency: No - Direct Award

Statement of Condition/Criteria

During our review of the Authority's financial records, we noted that the Authority had loaned funds from the Low Income Public Housing programs to the Metro Center which is considered part of the Central Office Cost Center (COCC). Section 9 of the Public Housing Program Annual Contribution Contract (ACC) with HUD states that program funds may only be used for costs related to the development and operation of the projects under ACC with HUD unless specifically approved by HUD. Loans in the amount of \$2,583,429 were made to the Metro Center in prior periods (part of the COCC) which is included in total loans from Public Housing Projects of \$4,036,291.

Cause

The Authority had previously reported the Metro Center as part of the Low Income Public Housing Projects. Upon guidance from HUD, the Authority moved the Metro Center to the COCC. However, the Metro Center did not have the funds available to repay the loans made to it by the Low Income Public Housing Program.

Effect

The Authority is not in compliance with the ACC executed with HUD regarding the use of cash of the Low Income Public Housing Program.

Recommendation

We recommend that the Authority comply with the ACC executed with HUD and not use cash to provide loans to the COCC or other programs.

Client Response - Correction Action

The amounts associated with finding are for the period fiscal year 2006 to fiscal year 2013. Since fiscal year 2013 Stark Metropolitan Housing Authority (SMHA) has made significant changes with, staff, training, policies, procedures and leadership. SMHA has been diligently and directly working with HUD officials and has been operating under a HUD approved recovery plan. To date, SMHA has been making satisfactory progress in meeting the goals and objectives of the recovery plan. The dollar amount associated with the finding will be repaid over an extended period of time and in an amount approved by HUD. SMHA's intention is to make full repayment and will meet the conditions proposed by HUD in this matter.

**STARK METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & §.505
 MARCH 31, 2014**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Corrected?</u>	<u>Explanation</u>
2013-001	Supporting Reports	Yes	Corrective Action Taken
2013-002	Capital Assets	Yes	Corrective Action Taken
2013-003	Financial Reporting	No	Repeated as Finding 2014-001
2013-004	Bank Reconciliation	Yes	Corrective Action Taken
2013-005	Excess Cash	No	Repeated as Finding 2014-002

The prior audit report, as of March 31, 2013, also included management letter recommendations. Management letter recommendations as of March 31, 2013 have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF OTHER REPORTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014**

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Review of the Public Housing Program

The Office of Inspector General of the U.S. Department of Housing and Urban Development conducted an audit of the Stark Metropolitan Housing Authority's Public Housing Program and issued their report dated July 15, 2013. The audit contained two findings as summarized below:

- Finding 1 – The Authority inappropriately used Public Housing Operating and Capital Funds to Support its Developments and Home Ownership Program.
- Finding 2 – The Authority inappropriately Entered into an Oil and Gas Lease

As of the date of our audit report the Authority is working with the Department of Housing and Urban Development to resolve these findings. It is anticipated that the Authority will have to reimburse its Public Housing Program from non-federal sources over a specified time period. The Authority is meeting with HUD representatives on a regular basis with regard to this audit and other matters. The repayment agreement has not been approved by HUD by the date of this report.

Review of the ARRA Program

The Office of Inspector General of the U.S. Department of Housing and Urban Development conducted an audit of the Stark Metropolitan Housing Authority's American Recovery and Reinvestment Act stimulus formula grant and issued their report on September 27, 2012. The audit contained three findings as listed below:

- Finding 1 - The Authority did not always ensure that its contractors complied with the Davis-Bacon Act and Federal Labor Standards.
- Finding 2 - The Authority did not always ensure that it complied with the Recovery Act, HUD's, or its own Procurement Procedures.
- Finding 3 - The Authority did not always ensure that it complied with HUD's and Recovery Act reporting requirements.

Results of that audit indicated \$680 in ineligible costs and \$7,357 in wages that were not in accordance with the Davis Bacon Act. On May 23, 2014, the Authority agreed to reimburse the contractor employees \$7,357, and to reimburse HUD \$680 from non-federal funds. The final payments are scheduled to be made by December 31, 2018.