

**STARK METROPOLITAN
HOUSING AUTHORITY**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
MARCH 31, 2013**

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Stark Metropolitan Housing Authority, Stark County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 22, 2014

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**STARK METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2013**

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

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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, 2013, 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 Alliance Senior Towers LLC, which represent 15 percent, 1 percent and 6 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 Alliance Senior Tower 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. 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.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

As discussed in Note 1C of the financial statements, the financial statements of Hunter House, LLC have not been audited, and we were not engaged to audit the Hunter House, LLC's financial statements as part of our audit of the Authority's basic financial statements. Hunter House, LLC's activities are included in the Authority's basic financial statements as a discretely presented component unit and represent 69 percent, 87 percent, and 7 percent of the assets, net position, and revenues, respectively, of the Authority's aggregate discretely presented component units. In addition, financial statements of the Stark Metropolitan Housing Authority Credit Union were not provided to the Authority and, therefore, are not included as part of the discretely presented component units. We cannot reasonably determine the amounts by which this departure would affect the assets, net position, and revenues of the aggregate discretely presented component units.

Adverse Opinion on the Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the Authority as of March 31, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Stark Metropolitan Housing Authority, Ohio, as of March 31, 2013, 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 net position of the primary government for an error in depreciation of capital 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 the 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 November 21, 2013, 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**

November 21, 2013

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2013
(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, 2013 activities, resulting changes, and currently known facts. 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, 2013, reflected total assets of \$76.7 million and total liabilities of \$11.5 million. The total net position was \$65.2 million. The financial operations were in accordance with revenue expectations and the approved budget plan.
- Total net assets decreased by \$2.6 million or 4 percent primarily due to the reduction in capital assets (net of depreciation) during FY 2013. Total liabilities decreased by \$0.8 million or 7 percent due to a reduction in outstanding debt. Since the Authority engages in only business-type activities, the decrease is all in the category of business-type net position.
- FY 2013 total revenues were \$28.7 million and total expenditures were \$31.3 million, resulting in a \$2.6 million loss. The business-type activities’ revenue for the Authority decreased by \$0.9 million or 3 percent and expenditures decreased by \$0.3 million or 1 percent during 2013. FY 2012 revenue was \$29.6 and expenditures were \$31.6.

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 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.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2013
(Unaudited)

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.

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.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2013
(Unaudited)

Resident Opportunities and Self-Sufficiency Program - This grant program, funded by the U.S. Department of Housing and Urban Development, is intended to assist residents to become economically self-sufficient by providing supportive services and resident empowerment activities.

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

	2013	2012
<u>ASSETS</u>		
Current and Other Assets	\$ 5,189,363	\$ 4,620,946
Capital Assets	71,485,263	75,549,667
Total Assets	<u>\$76,674,626</u>	<u>\$80,170,613</u>
<u>LIABILITIES</u>		
Current Liabilities	\$ 2,660,946	\$ 2,987,139
Non-Current Liabilities	8,849,457	9,372,432
Total Liabilities	<u>11,510,403</u>	<u>12,359,571</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	62,578,646	66,213,838
Restricted	1,197,269	1,317,358
Unrestricted	1,388,308	279,846
Total Net Position	<u>65,164,223</u>	<u>67,811,042</u>
Total Liabilities and Net Position	<u>\$76,674,626</u>	<u>\$80,170,613</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, 2013
(Unaudited)

Major Factors Affecting The Statement of Net Position

Current and other assets were increased by \$0.6 million, while current liabilities were decreased by \$0.3 million. Current assets, primarily cash and investments, increased due to the excess Housing Choice Voucher Housing Assistance Payment funding, and the results of operations. Current liabilities decreased primarily due to the timing of work completion and invoicing in the Capital Fund Program. Capital assets decreased by \$4.1 million from \$75.5 million to \$71.4 million. For more detail, see the section Capital Assets and Debt Administration.

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

Table 2 - Change of Unrestricted Net Position - Primary Government

	<u>2013</u>
Beginning Balance - March 31, 2012	\$ 279,846
Results of Operations	(2,646,819)
Adjustments:	
Current Year Depreciation Expense (1)	5,126,715
Capital Expenditures (2)	(1,062,312)
Debt Principal Payments	(429,212)
Transfer from Restricted Net Position	<u>120,090</u>
Ending Balance - March 31, 2013	<u>\$ 1,388,308</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 \$0.9 million. 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 offset, and tenant rent. Total expenses decreased \$ 0.3 million. This change was due to a decrease in utility expense, extraordinary maintenance, and depreciation.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2013
(Unaudited)

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

	<u>2013</u>	<u>2012</u>
<u>Revenues</u>		
Tenant Revenue - Rents and Other	\$ 5,118,651	\$ 5,011,941
Operating Subsidies and Grants	20,089,281	19,482,988
Capital Grants	1,429,641	3,705,722
Investment Income	3,147	7,139
Other Revenues	<u>2,014,361</u>	<u>1,348,851</u>
Total Revenues	<u>28,655,081</u>	<u>29,556,641</u>
<u>Expenses</u>		
Administrative	4,866,047	5,042,278
Utilities	3,283,635	3,275,523
Maintenance	6,139,130	5,494,957
Tenant Services	268,278	386,934
General and Protective Services	2,244,814	2,616,485
Interest and Other Expenses	712,737	888,665
Housing Assistance Payments	8,006,412	8,492,833
Depreciation	5,126,715	5,369,884
Transfers	<u>654,132</u>	<u>0</u>
Total Expenses	<u>31,301,900</u>	<u>31,567,559</u>
Net Increase (Decrease)	<u>\$(2,646,819)</u>	<u>\$(2,010,918)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$71.5 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation) of \$4.1 million from the end of last year.

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

	<u>2013</u>	<u>2012</u>
Land	\$16,019,604	\$16,019,605
Construction in Progress	12,456,722	11,420,221
Buildings	147,642,591	147,629,992
Equipment	4,715,381	4,862,121
Accumulated Depreciation	<u>(109,349,035)</u>	<u>(104,382,272)</u>
Total	<u>\$ 71,485,263</u>	<u>\$ 75,549,667</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, 2013
(Unaudited)

Table 5 - Change in Capital Assets - Primary Government

Beginning Balance - March 31, 2012	\$74,941,927
Current Year Additions	1,062,312
Prior Year Depreciation Adjustment	607,739
Current Year Depreciation Expense	<u>(5,126,715)</u>
Ending Balance - March 31, 2013	<u>\$ 71,485,263</u>

DEBT OUTSTANDING

As of year-end, the Authority had \$8.9 million in debt outstanding compared to \$9.3 million last year, a \$0.4 million decrease (regularly scheduled debt retirement and debt retirement as a result of refinancing the outstanding bonds). There was no new debt issued for the year.

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

	<u>Total 2013</u>	<u>Total 2012</u>
Beginning Balance - March 31, 2012	\$9,335,829	\$10,035,598
Current Year Debt Issued	0	0
Current Year Principal Payments	<u>(429,212)</u>	<u>(699,769)</u>
Ending Balance - March 31, 2013	<u>\$8,906,617</u>	<u>\$ 9,335,829</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, 2013

	<u>Primary Government</u>	<u>Component Units</u>
<u>ASSETS</u>		
Current Assets:		
Cash - Unrestricted	\$ 1,678,282	\$ 267,893
Cash - Restricted	1,583,031	529,904
Accounts Receivable - Net of Allowance	659,076	353,914
Due from Component Unit	897,122	0
Inventories - Net of Allowance	334,392	16,931
Prepaid Expenses	<u>37,460</u>	<u>38,524</u>
Total Current Assets	<u>5,189,363</u>	<u>1,207,166</u>
Non-Current Assets:		
Capital Assets - Non-Depreciated	28,476,326	6,256,962
Depreciable Capital Assets - Net	43,008,937	3,924,090
Other Non-Current Assets	<u>0</u>	<u>6,181,939</u>
Total Non-Current Assets	<u>71,485,263</u>	<u>16,362,991</u>
TOTAL ASSETS	<u>\$ 76,674,626</u>	<u>\$ 17,570,157</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 589,437	\$ 429,637
Current Portion of Long-Term Debt	539,000	92,598
Intergovernmental Payable	164,081	27,063
Accrued Wages and Payroll Taxes	402,523	4,967
Tenant Security Deposits	388,026	41,533
Other Current Liabilities	577,879	383,215
Due to Primary Government	<u>0</u>	<u>897,122</u>
Total Current Liabilities	<u>2,660,946</u>	<u>1,876,135</u>
Non-Current Liabilities:		
Long-Term Debt - Net of Current Portion	8,367,617	8,139,936
Other Long-Term Liabilities and Compensated Absences	<u>481,840</u>	<u>360,081</u>
Total Non-Current Liabilities	<u>8,849,457</u>	<u>8,500,017</u>
Total Liabilities	<u>11,510,403</u>	<u>10,376,152</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	62,578,646	1,948,518
Restricted	1,197,269	330,209
Unrestricted	<u>1,388,308</u>	<u>4,915,278</u>
Total Net Position	<u>65,164,223</u>	<u>7,194,005</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 76,674,626</u>	<u>\$ 17,570,157</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, 2013**

	<u>Primary Government</u>	<u>Component Units</u>
<u>Operating Revenues</u>		
Program Operating Grants/Subsidies	\$ 20,089,281	\$ 0
Tenant Revenues	5,118,651	817,580
Other Income	<u>2,010,662</u>	<u>822,825</u>
Total Operating Revenues	<u>27,218,594</u>	<u>1,640,405</u>
<u>Operating Expenses</u>		
Administrative	4,866,047	392,028
Utilities Expenses	3,283,635	163,586
Ordinary Maintenance	6,139,130	210,986
Tenant Services	268,278	37,636
General and Protective Services	2,244,814	606,390
Housing Assistance Payments	8,006,412	0
Other Expenses	222,942	0
Depreciation	<u>5,126,715</u>	<u>115,201</u>
Total Operating Expenses	<u>30,157,973</u>	<u>1,525,827</u>
Operating Income (Loss)	<u>(2,939,379)</u>	<u>114,578</u>
<u>Non-Operating Revenue (Expenses)</u>		
Interest Income	3,147	196
Interest Expense	(489,795)	(90,399)
Gain (Loss) on Disposition of Assets	<u>3,699</u>	<u>0</u>
Total Non-Operating Revenue (Expenses)	<u>(482,949)</u>	<u>(90,203)</u>
Excess (Deficiency) of Revenue Over (Under) Expenses before Capital Revenue and Transfers	<u>(3,422,328)</u>	<u>24,375</u>
<u>Capital Grants, Contributions and Transfers</u>		
Capital Grants	1,429,641	0
Capital Contributions	0	6,222,164
Capital Transfer to Component Unit	<u>(654,132)</u>	<u>654,132</u>
Total Capital Grants, Contributions and Transfers	<u>775,509</u>	<u>6,876,296</u>
Results of Operations	(2,646,819)	6,900,671
Restated Beginning Net Position	<u>67,811,042</u>	<u>293,334</u>
ENDING NET POSITION	<u>\$ 65,164,223</u>	<u>\$ 7,194,005</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, 2013

	<u>Primary Government</u>	<u>Component Units</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from HUD and Other Governments	\$ 20,112,977	\$ 0
Cash Received from Tenants	5,116,459	720,889
Cash Received from Other Sources	1,726,103	441,476
Cash Payments for Housing Assistance Payments	(8,006,412)	0
Cash Payments for Administrative	(4,902,297)	(387,061)
Cash Payments for Other Operating Expenses	<u>(12,467,821)</u>	<u>(1,156,696)</u>
Net Cash (Used) by Operating Activities	<u>1,579,009</u>	<u>(381,392)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal Payments on Debt	(429,212)	(75,272)
Acquisition of Capital Assets	(1,062,312)	(8,843,773)
Debt Proceeds	0	7,367,603
Capital Grants Received	1,429,641	1,542,395
Transfer to Component Units	(654,132)	654,132
Cash from Asset Sale	3,699	0
Net Cash Provided by Capital and Other Related Financing Activities	<u>(712,316)</u>	<u>645,085</u>
<u>Cash Flows from Investing Activities</u>		
Investments Redeemed	250,293	240,176
Investment Income	3,147	196
Interest Expense	<u>(489,795)</u>	<u>(90,399)</u>
Net Cash Provided by Investing Activities	<u>(236,355)</u>	<u>149,973</u>
Net Increase (Decrease) in Cash and Cash Equivalents	630,338	413,666
Cash and Cash Equivalents, Beginning	<u>2,630,975</u>	<u>384,131</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,261,313</u>	<u>\$ 797,797</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>		
Net Operating Income (Loss)	\$ (2,939,379)	\$ 114,578
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	5,126,715	115,201
Adjustment for Credit Union Assets	0	(409,811)
(Increase) Decrease in:		
Receivables - Net of Allowance	609,298	185,006
Inventory and Prepaid Expense	99,452	(25,486)
Due from Component Units	(897,122)	0
Increase (Decrease) in:		
Accounts Payable	13,742	393,533
Due to Primary Government	0	897,122
Non-Current Liabilities	(36,250)	(1,935,733)
Accrued Wages/Payroll Taxes	(422,216)	4,967
Intergovernmental Payable	23,696	27,063
Tenant Security Deposits	(5,573)	28,462
Deferred Credits/Other Liabilities	6,646	223,706
Net Cash Used by Operating Activities	<u>\$ 1,579,009</u>	<u>\$ (381,392)</u>

The component units had non-cash activity of \$4,679,769 in capital contributions and 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, 2013**

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, 2013
(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
FOR THE FISCAL YEAR ENDED MARCH 31, 2013
(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 financial statements presented in this report have not been audited.

Discretely Presented Component Unit - Omitted

The Stark Metropolitan Housing Authority Credit Union (the Credit Union) is a federal credit union chartered under the laws of the United States. The purpose of the Credit Union is to provide its members the opportunity to accumulate savings and to create a source of credit for them. The financial statements of the Credit Union were not provided to the Authority and therefore are not included in the aggregate discretely presented component column of the financial statements.

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

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.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2013
(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 2013 totaled \$3,147 for the primary government and \$196 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, 2013
(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 2013 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, 2013
(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.

NOTE 2: **RESTATEMENT OF NET POSITION**

A restatement of net position was made for the primary government and component unit as follows:

	Primary <u>Government</u>	Component <u>Units</u>
Beginning Balance - Net Position, March 31, 2012	\$67,203,302	\$ 703,145
To correct error in over depreciation of Capital Assets	607,740	0
Elimination of Stark Metropolitan Credit Union from reporting entity	<u>0</u>	<u>(409,811)</u>
Restated Net Position, March 31, 2012	<u>\$67,811,042</u>	<u>\$ 293,334</u>

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, 2013
(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 \$3,261,313 (including \$1,583,031 of restricted funds, \$656,158 of nonnegotiable certificates of deposit, 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 \$78,032 were covered by National Credit Union Share Insurance Fund, deposits totaling \$554,319 were covered by Federal Depository Insurance, and deposits totaling \$1,853,546 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, 2013
(CONTINUED)**

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

B. Investments

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.

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, 2013
(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	\$ 3,261,313	\$ 0
Certificates of Deposit	(656,158)	656,158
Wells Fargo 100% Treasury Money Market Fund	<u>(1,079,117)</u>	<u>1,079,117</u>
Per GASB Statement No. 3	<u>\$ 1,526,038</u>	<u>\$ 1,735,275</u>

C. Component Units

At year end, the carrying amount of the component units' investments and deposits was \$797,797. Of this amount, \$472,450 was 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, 2013
(CONTINUED)**

NOTE 4: RESTRICTED CASH

Restricted cash balances as of March 31, 2013 represents cash on hand for the following:

	<u>Primary Government</u>	<u>Component Units</u>
Tenant Security Deposit	\$ 382,500	\$ 24,637
Restricted HAP Cash	60,451	0
Bond Proceeds to be Used for Capital Improvement	1,140,080	0
Other Restricted Cash	0	505,267
Total Restricted Cash	<u><u>\$ 1,583,031</u></u>	<u><u>\$ 529,904</u></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, 2013
(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	\$ 16,019,604	\$ 271,550	\$ 16,291,154
Construction in Progress	12,456,722	5,985,412	18,442,134
Total Capital Assets Not Being Depreciated	28,476,326	6,256,962	34,733,288
<i>Capital Assets Being Depreciated</i>			
Buildings and Building Improvements	147,642,591	4,515,921	152,158,512
Furniture and Equipment Dwelling	4,715,381	35,178	4,750,559
Less: Accumulated Depreciation	(109,349,035)	(627,009)	(109,976,044)
Total Capital Assets Being Depreciated	43,008,937	3,924,090	46,933,027
Total Capital Assets	\$ 71,485,263	\$ 10,181,052	\$ 81,666,315

The following is a summary of changes:

	Primary Government			Balance 03/31/2013
	Restated Balance 03/31/2012	Additions	Deletions	
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 16,019,604	\$ 0	\$ 0	\$ 16,019,604
Construction in Progress	11,420,221	1,036,501	0	12,456,722
Total Capital Assets Not Being Depreciated	27,439,825	1,036,501	0	28,476,326
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	147,629,992	25,811	(13,212)	147,642,591
Furniture and Equipment Dwelling	4,862,121	0	(146,740)	4,715,381
Total Capital Assets Being Depreciated	152,492,113	25,811	(159,952)	152,357,972
Accumulated Depreciation:				
Buildings and Improvements	(103,715,153)	(4,730,924)	13,212	(108,432,865)
Furniture and Equipment	(667,119)	(395,791)	146,740	(916,170)
Subtotal Accumulated Depreciation	(104,382,272)	(5,126,715)	159,952	(109,349,035)
Net Capital Assets Being Depreciated	48,109,841	(5,100,904)	0	43,008,937
Total Primary Government	\$ 75,549,666	\$ (4,064,403)	\$ 0	\$ 71,485,263
	Component Units			Balance 03/31/2013
	Balance 03/31/2012	Additions	Deletions	
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 213,150	\$ 58,400	\$ 0	\$ 271,550
Construction in Progress	0	5,985,412	0	5,985,412
Total Capital Assets Not Depreciated	213,150	6,043,812	0	6,256,962
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	1,742,860	2,776,021	(2,960)	4,515,921
Furniture and Equipment Dwelling	8,278	27,606	(706)	35,178
Total Capital Assets Being Depreciated	1,751,138	2,803,627	(3,666)	4,551,099
Accumulated Depreciation:				
Buildings	(506,415)	(113,022)	0	(619,437)
Furniture, Machinery & Equipment	(5,393)	(2,179)	0	(7,572)
Total Capital Assets Being Depreciated	(511,808)	(115,201)	0	(627,009)
Net Capital Assets Being Depreciated	1,239,330	2,688,426	(3,666)	3,924,090
Net Component Units	\$ 1,452,480	\$ 8,732,238	\$ (3,666)	\$ 10,181,052

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2013
(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 2012-2013, member and employer rates were consistent across all three plans. The 2012-2013 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, 2013, 2012, and 2011, \$660,382, 662,378, and \$662,341, respectively. These costs have been charged to the employee fringe benefit account. All required payments of contributions have been made through March 31, 2013.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2013
(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, 2013
(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 2012-2013 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 5.5 percent for Stark Metropolitan Housing Authority's period ended December, 2012. The percentage changed to 1.0 percent effective January 1, 2013.

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, 2013, 2012, and 2011 which were used to fund post-employment benefits were \$239,624, \$236,562, and \$260,205, 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, 2013
(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, 2013:

<u>Description</u>	<u>Balance at 3/31/12</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 3/31/13</u>	<u>Due Within One Year</u>
Liability Amount	\$ 760,454	\$ 136,368	\$ 352,069	\$ 544,753	\$ 62,913

NOTE 11: LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations during fiscal year 2013 are as follows:

	<u>Balance at 3/31/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 3/31/13</u>	<u>Due Within One Year</u>
<u>General Long-Term Obligations</u>					
<i><u>Primary Government</u></i>					
Long-Term Debt:					
First Merit - Hillview Apts., 8/07/2002, 5.15%	\$ 20,801	\$ 0	\$ (20,801)	\$ 0	\$ 0
First Merit - Cleveland Ave., 11/2022, 5.02%	773,701	0	(36,485)	737,216	66,786
Fifth Third - Equipment Lease 05/22/06, 7.57%	1,996,167	0	(106,926)	1,889,241	192,214
Ohio Housing Finance Agency, Serial Bonds, 07/17/07 - 3.9% - 4.67%	6,545,160	0	(265,000)	6,280,160	280,000
<i>Total Primary Government</i>	<u>\$ 9,335,829</u>	<u>\$ 0</u>	<u>\$ (429,212)</u>	<u>\$ 8,906,617</u>	<u>\$ 539,000</u>
<i><u>Component Units</u></i>					
Freed Housing Corporation, (Various Notes)	\$ 648,111	\$ 0	\$ (26,017)	\$ 622,094	\$ 32,456
Washington Area, Housing Agency, LLC	292,092	0	(38,441)	253,651	40,454
Alliance Senior Tower, LLC	0	2,115,760	(10,814)	2,104,946	19,688
Hunter House, LCC.	0	5,251,843	0	5,251,843	0
<i>Total Component Units</i>	<u>\$ 940,203</u>	<u>\$ 7,367,603</u>	<u>\$ (75,272)</u>	<u>\$ 8,232,534</u>	<u>\$ 92,598</u>

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2013
(CONTINUED)**

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

The Authority was obligated on the following notes as of March 31, 2013:

	2013
<u>First Merit Bank</u>	
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.	\$ 737,216
<u>Fifth Third Bank</u>	
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.	1,889,241
<u>Ohio Housing Finance Agency</u>	
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.	6,280,160
Total	\$ 8,906,617

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

	Principal	Interest	Total
2014	\$ 539,000	\$ 499,101	\$ 1,038,101
2015	513,068	429,121	942,189
2016	1,100,225	384,573	1,484,798
2017	1,669,164	332,840	2,002,004
2018	340,000	235,750	575,750
2019-2023	1,985,000	898,125	2,883,125
2024-2028	2,760,160	333,250	3,093,410
Total	\$ 8,906,617	\$3,112,760	\$12,019,377

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2013
(CONTINUED)**

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

The debt schedule for the component units is as follows:

Freed Housing:

First Merit Bank - Line of Credit	\$ 139,404
First Merit Bank - Promissory Note - Principal Amount - \$173,364 - Interest Rate 4.69% to 5.08%	148,660
First Merit Bank - Promissory Note - Principal Amount \$91,661, Interest Rate of 8.0%	71,115
First Merit Bank - Promissory Note - Principal Amount \$46,000, Interest Rate of 6.2%	33,803
First Merit Bank - Promissory Note - Principal Amount \$49,600, Interest Rate of 7.21%	35,253
First Merit Bank - Promissory Note - Principal Amount \$49,600 - Interest Rate of 7.1%	36,296
First Merit Bank - Promissory Note - Principal Amount \$47,920 - Interest Rate of 7.1%	34,760
First Merit Bank - Promissory Note - Principal Amount \$52,400 - Interest Rate of 7.68%	39,011
Forgivable Loan to Stark County Principal Amount \$83,792 - Interest Rate of 0.00%	83,792

Alliance Senior Tower LLC:

First Mortgage - Principal Amount - \$922,900 - Interest Rate of 1.0%	778,753
2 nd Mortgage - Payable to Department of HUD Interest Rate of 1.0%	1,182,280
3 rd Mortgage - Payable to Department of HUD Interest Rate of 1.0%	143,913

**Hunter House, LLC - Various Interim Financing
Washington Area Housing Agency, LLC**

5,251,843
<u>253,651</u>

Total \$8,232,534

Amortization of the debt was not available.

NOTE 12: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and natural disasters. During fiscal year ending March 31, 2013 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2013
(CONTINUED)

NOTE 13: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS

	Hunter	Freed Housing	Washington	Alliance Senior	
<u>Balance Sheet</u>	<u>House LLC</u>	<u>Corporation</u>	<u>Housing LLC</u>	<u>Towers LLC</u>	<u>Total</u>
Current Assets	\$ 252,888	\$ 438,872	\$ 82,616	\$ 432,790	\$1,207,166
Capital Assets	6,013,018	1,638,215	380,159	2,149,660	10,181,052
Other Assets	6,120,164	353,742	0	61,775	6,535,681
Current Liabilities	(542,621)	(927,461)	(54,430)	(351,623)	(1,876,135)
Non-Current Liabilities	<u>(5,605,585)</u>	<u>(799,720)</u>	<u>(213,197)</u>	<u>(2,235,257)</u>	<u>(8,853,759)</u>
Net Position	<u>\$6,237,864</u>	<u>\$ 703,648</u>	<u>\$ 195,148</u>	<u>\$ 57,345</u>	<u>\$7,194,005</u>
<u>Revenue Expenses and Changes in Equity</u>					
Total Revenue	\$6,331,213	\$ 784,913	\$ 287,363	\$ 459,276	\$7,862,765
Total Expenses	<u>(93,349)</u>	<u>(824,220)</u>	<u>(296,726)</u>	<u>(401,931)</u>	<u>(1,616,226)</u>
Excess of Revenue Over Expenses	6,237,864	(39,307)	(9,363)	57,345	6,246,539
Transfers In	0	654,132	0	0	654,132
Beginning Net Position	0	88,823	204,511	0	293,334
Ending Net Position	<u>\$6,237,864</u>	<u>\$ 703,648</u>	<u>\$ 195,148</u>	<u>\$ 57,345</u>	<u>\$7,194,005</u>

An elimination entry of \$353,742 was made to reduce other assets and non-current liabilities in the Statement of Net Assets. This represents a loan from Freed Housing to Hunter House LLC.

NOTE 14: CONTINGENCIES

Litigations and Claims

In the normal course of operations, the Authority may be subjected to litigation and claims. At March 31, 2013, the Authority is involved in several matters. While the outcome of this matter cannot presently be determined, management believes that the ultimate resolution will not have a material effect on the financial statements.

One of the outstanding legal actions involves the Authority and the Stark Metropolitan Housing Authority Credit Union. The Authority has paid various administrative costs over a period of several years for the Credit Union and is attempting to recover a portion of those costs. As of the date of this report, it is undetermined what the amount that will be recovered from the Credit Union.

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 57 of this report.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2013
(CONTINUED)**

NOTE 14: **CONTINGENCIES** (Continued)

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, 2013, if applicable, cannot be determined at this time.

NOTE 15: **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.

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, 2013, the total fees that the Authority paid to the Corporation was as follows:

Shelter Plus Care	\$ 45,129
Single Room Occupancy Program	\$ 23,451
HOME Program	\$ 6,181

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2013
(CONTINUED)**

NOTE 16: SUBSEQUENT EVENTS

Subsequent events are those events or transactions that occur following the statements of net position date, but before the financial statements are issued or are available to issue. Accounting standards requires disclosure regarding the date through which subsequent events have been evaluated and the basis for determining that date. Subsequent events have been evaluated through November 21, 2013, which is the date the financial statements were available to be issued.

NOTE 17: IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

For 2013, the Authority implemented GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reporting as Assets and Liabilities*.

GASB Statement No. 60 addresses issues related to service concession arrangements (SCA's), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or non-governmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Authority.

The objective of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34* is to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement are effective for financial reporting for periods beginning after June 15, 2012, and have been implemented by the Authority.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountant's (AICPA) Committee on Accounting Procedures issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2013
(CONTINUED)**

NOTE 17: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS** (Continued)

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 changed the presentation of the Authority's financial statements to incorporate the concept of net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources and deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Authority.

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2013**

	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.238 Shelter Plus Care	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	14.239 HOME Investment Partnerships Program	Component Units
111 Cash - Unrestricted	749,081	93,981	32,675	13,970		35,118	267,898
112 Cash - Restricted - Modernization and Development	1,140,080						
113 Cash - Other Restricted		60,451					505,267
114 Cash - Tenant Security Deposits	368,896						24,637
100 Total Cash	2,258,057	154,382	32,675	13,970	-	35,118	797,797
122 Accounts Receivable - HUD Other Projects	-			2,215			
125 Accounts Receivable - Miscellaneous	-	3,762					251,001
126 Accounts Receivable - Tenants	68,098						103,288
126.1 Allowance for Doubtful Accounts - Tenants	-6,810	-					-375
128 Fraud Recovery		8,790					
128.1 Allowance for Doubtful Accounts - Fraud		-879					
120 Total Receivables, Net of Allowances for Doubtful Accounts	61,288	11,673	-	2,215	-	-	353,914
142 Prepaid Expenses and Other Assets	22,949	4,298					38,524
143 Inventories	347,806						16,931
143.1 Allowance for Obsolete Inventories	-13,414						-
144 Inter Program Due From	4,078,684						
150 Total Current Assets	6,755,370	170,348	32,675	16,185	-	35,118	1,207,166
161 Land	15,395,154						271,530
162 Buildings	134,257,128						4,515,921
163 Furniture, Equipment & Machinery - Dwellings	3,352,477						24,056
164 Furniture, Equipment & Machinery - Administration	143,188						11,122
166 Accumulated Depreciation	-105,218,514						-627,009
167 Construction in Progress	10,825,201						5,985,412
160 Total Capital Assets, Net of Accumulated Depreciation	58,754,634	-	-	-	-	-	10,181,052
171 Notes, Loans and Mortgages Receivable - Non-Current							6,473,906
174 Other Assets							61,775
180 Total Non-Current Assets	58,754,634	-	-	-	-	-	16,716,733
190 Total Assets	65,510,004	170,348	32,675	16,185	-	35,118	17,923,899

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2013**

	State/Local	14.856 Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	COCC	Sub total	ELIM	Total
111 Cash - Unrestricted	81,168	160,874	511,465	1,946,175		1,946,175
112 Cash - Restricted - Modernization and Development		-		1,140,080		1,140,080
113 Cash - Other Restricted		-		565,718		565,718
114 Cash - Tenant Security Deposits	13,604	-		407,137		407,137
100 Total Cash	94,772	160,874	511,465	4,059,110	-	4,059,110
122 Accounts Receivable - HUD Other Projects		-		2,215		2,215
125 Accounts Receivable - Miscellaneous		-	558,230	812,993		812,993
126 Accounts Receivable - Tenants	26,034	-		197,420		197,420
126.1 Allowance for Doubtful Accounts - Tenants	-364	-		-7,549		-7,549
128 Fraud Recovery		-		8,790		8,790
128.1 Allowance for Doubtful Accounts - Fraud		-		-879		-879
120 Total Receivables, Net of Allowances for Doubtful Accounts	25,670	-	558,230	1,012,990	-	1,012,990
142 Prepaid Expenses and Other Assets		-	10,218	75,984		75,984
143 Inventories		-		364,737		364,737
143.1 Allowance for Obsolete Inventories		-		-13,414		-13,414
144 Inter Program Due From		51	2,104,402	6,183,137	-5,286,015	897,122
150 Total Current Assets	120,442	160,925	3,184,315	11,682,544	-5,286,015	6,396,529
161 Land	19,600	-	604,850	16,291,154		16,291,154
162 Buildings	1,722,484	-	11,662,979	152,158,512		152,158,512
163 Furniture, Equipment & Machinery - Dwellings		-	1,200,610	4,577,143		4,577,143
164 Furniture, Equipment & Machinery - Administration	9,650	-	9,456	173,416		173,416
166 Accumulated Depreciation	-881,512	-	-3,249,009	-109,976,044		-109,976,044
167 Construction in Progress	931,152	-	700,369	18,442,134		18,442,134
160 Total Capital Assets, Net of Accumulated Depreciation	1,801,374	-	10,929,255	81,666,315	-	81,666,315
171 Notes, Loans and Mortgages Receivable - Non-Current		-		6,473,906	-353,742	6,120,164
174 Other Assets		-		61,775		61,775
180 Total Non-Current Assets	1,801,374	-	10,929,255	88,201,996	-353,742	87,848,254
190 Total Assets	1,921,816	160,925	14,113,570	99,884,540	-5,639,757	94,244,783

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2013**

	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.238 Shelter Plus Care	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	14.239 HOME Investment Partnerships Program	Component Units
312 Accounts Payable - ≤ 90 Days	376,981	3,030	14,584	2,052			429,637
321 Accrued Wage Payroll Taxes Payable	140,810	14,444		779			4,967
322 Accrued Compensated Absences - Current Portion	13,195						
325 Accrued Interest Payable	151,298						47,790
331 Accounts Payable - HUD PHA Programs			3,898				
333 Accounts Payable - Other Government							27,063
341 Tenant Security Deposits	374,422						41,533
342 Deferred Revenues	13,665			4,488		18,704	30,655
343 Current Portion of Longterm Debt - Capital Projects/Mortgage	280,000						92,598
345 Other Current Liabilities		7,912					304,770
346 Accrued Liabilities- Other	159,534						
347 Inter Program- Due To	145,995	2,416	10,505	667			897,122
310 Total Current Liabilities	1,655,900	27,802	28,987	7,986	-	18,704	1,876,135
351 Longterm Debt, Net of Current - Capital Projects/Mortgage	6,000,160						8,139,936
353 Non-current Liabilities- Other							713,823
354 Accrued Compensated Absences - Non Current	304,938	15,022					
350 Total Non-Current Liabilities	6,305,098	15,022	-	-	-	-	8,853,759
300 Total Liabilities	7,960,998	42,824	28,987	7,986	-	18,704	10,729,894
508.1 Invested In Capital Assets, Net of Related Debt	52,474,474						1,948,518
511.1 Restricted Net Assets	1,136,818	60,451					
512.1 Unrestricted Net Assets	3,937,714	67,073	3,688	8,199	-	16,414	5,245,487
513 Total Equity/Net Assets	57,549,006	127,524	3,688	8,199	-	16,414	7,194,005
600 Total Liabilities and Equity/Net Assets	65,510,004	170,348	32,675	16,185	-	35,118	17,923,899

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2013**

	State/Local	14.856 Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	COCC	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	8,923	89	183,778	1,019,074		1,019,074
321 Accrued Wage Payroll Taxes Payable		-	246,490	407,490		407,490
322 Accrued Compensated Absences - Current Portion		-	49,718	62,913		62,913
325 Accrued Interest Payable		-	42,259	241,347		241,347
331 Accounts Payable - HUD PHA Programs		160,183		164,081		164,081
333 Accounts Payable - Other Government		-		27,063		27,063
341 Tenant Security Deposits	13,604	-		429,559		429,559
342 Deferred Revenues	1,728	-		69,240		69,240
343 Current Portion of Long-term Debt - Capital		-	259,000	631,598		631,598
345 Other Current Liabilities	115,015	-		427,697		427,697
346 Accrued Liabilities - Other	363	-		159,897		159,897
347 Inter Program - Due To	525,775	47	4,600,610	6,183,137	-5,286,015	897,122
310 Total Current Liabilities	665,408	160,319	5,381,855	9,823,096	-5,286,015	4,537,081
351 Long-term Debt, Net of Current - Capital Projects/Mortgage		-	2,367,457	16,507,553		16,507,553
353 Non-current Liabilities - Other		-		713,823	-353,742	360,081
354 Accrued Compensated Absences - Non Current		-	161,880	481,840		481,840
350 Total Non-Current Liabilities	-	-	2,529,337	17,703,216	-353,742	17,349,474
300 Total Liabilities	665,408	160,319	7,911,192	27,526,312	-5,639,757	21,886,555
508.1 Invested In Capital Assets, Net of Related Debt	1,801,374	-	8,302,798	64,527,164		64,527,164
511.1 Restricted Net Assets		-		1,197,269		1,197,269
512.1 Unrestricted Net Assets	-544,966	606	-2,100,420	6,633,795		6,633,795
513 Total Equity/Net Assets	1,256,408	606	6,202,378	72,358,228	-	72,358,228
600 Total Liabilities and Equity/Net Assets	1,921,816	160,925	14,113,570	99,884,540	-5,639,757	94,244,783

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2013**

	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.238 Shelter Plus Care	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	14.239 HOME Investment Partnerships Program	Component Units
70300 Net Tenant Rental Revenue	4,901,882						335,921
70400 Tenant Revenue - Other							481,659
70500 Total Tenant Revenue	4,901,882	-	-	-	-	-	817,580
70600 HUD PHA Operating Grants	10,979,451	7,382,124	105,486	608,450	358,201	149,754	
70610 Capital Grants	1,429,641						
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70700 Total Fee Revenue	-	-	-	-	-	-	-
70800 Other Government Grants							
71100 Investment Income - Unrestricted	1,759	121	1				196
71400 Fraud Recovery		14,514		122			
71500 Other Revenue	1,246,938	37,271				6,000	7,044,989
71600 Gain or Loss on Sale of Capital Assets	1,849						
72000 Investment Income - Restricted	308	601					
70000 Total Revenue	18,561,823	7,434,631	105,487	608,572	358,201	155,754	7,862,765
91100 Administrative Salaries	674,070	246,301			1,225		271,829
91200 Auditing Fees	14,870	7,272	300				5,670
91300 Management Fee	1,679,438						55,610
91310 Book-keeping Fee	215,693						
91500 Employee Benefit contributions - Administrative	538,747	208,176			815		49,709
91600 Office Expenses	380,835	204,567					8,256
91700 Legal Expense	93,737	5,120					
91800 Travel	6,633	3,983					209
91900 Other	294,436						745
91000 Total Operating - Administrative	3,898,459	675,419	300	-	2,040	-	392,028
92000 Asset Management Fee	189,960						
92100 Tenant Services -Salaries							
92200 Relocation Costs	20,144						
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services -Other	39,616						37,636
92500 Total Tenant Services	59,760	-	-	-	-	-	37,636
98100 Water	467,058						22,914
98200 Electricity	971,177						95,236
98300 Gas	1,132,930						28,106
98600 Sewer	505,168						17,330
98000 Total Utilities	3,076,333	-	-	-	-	-	163,586
94100 Ordinary Maintenance and Operations - Labor	1,560,369						87,014
94200 Ordinary Maintenance and Operations -Materials and Other	513,896						3,832
94300 Ordinary Maintenance and Operations Contracts	2,902,594						104,660
94500 Employee Benefit Contributions - Ordinary Maintenance	858,946						15,480
94000 Total Maintenance	5,835,805	-	-	-	-	-	210,986

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2013**

	State/Local	14856 Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	132,577	-		5,370,380		5,370,380
70400 Tenant Revenue - Other	84,192	-		565,851		565,851
70500 Total Tenant Revenue	216,769	-	-	5,936,231	-	5,936,231
70600 HUD PHA Operating Grants		440,836		20,024,302		20,024,302
70610 Capital Grants		-		1,429,641		1,429,641
70710 Management Fee		-	1,747,001	1,747,001	-1,691,391	55,610
70720 Asset Management Fee		-	189,960	189,960	-189,960	-
70730 Book Keeping Fee		-	215,693	215,693	-215,693	-
70700 Total Fee Revenue	-	-	2,152,654	2,152,654	-2,097,044	55,610
70800 Other Government Grants	47,021	-	17,958	64,979		64,979
71100 Investment Income - Unrestricted	53	52	257	2,439		2,439
71400 Fraud Recovery		238		14,874		14,874
71500 Other Revenue	185,253	-	464,716	8,985,167		8,985,167
71600 Gain or Loss on Sale of Capital Assets		-	1,850	3,699		3,699
72000 Investment Income - Restricted		-		904		904
70000 Total Revenue	449,096	441,126	2,637,435	38,614,890	-2,097,044	36,517,846
91100 Administrative Salaries		33,043	1,173,113	2,399,581		2,399,581
91200 Auditing Fees		900	730	29,742		29,742
91300 Management Fee	11,953	-		1,747,001	-1,691,391	55,610
91310 Book-keeping Fee		-		215,693	-215,693	-
91500 Employee Benefit contributions - Administrative		20,533	609,480	1,427,460		1,427,460
91600 Office Expenses	4,572	5,082	308,389	911,701		911,701
91700 Legal Expense	269	-	20,934	120,060		120,060
91800 Travel	2	257	7,656	18,740		18,740
91900 Other		-		295,181		295,181
91000 Total Operating - Administrative	16,796	59,815	2,120,302	7,165,159	-1,907,084	5,258,075
92000 Asset Management Fee		-		189,960	-189,960	-
92100 Tenant Services - Salaries		-	140,775	140,775		140,775
92200 Relocation Costs		-		20,144		20,144
92300 Employee Benefit Contributions - Tenant Services		-	67,599	67,599		67,599
92400 Tenant Services - Other		-	144	77,396		77,396
92500 Total Tenant Services	-	-	208,518	305,914	-	305,914
93100 Water	11,547	-	5,621	507,140		507,140
93200 Electricity	27,028	-	109,947	1,203,388		1,203,388
93300 Gas	23,525	-	14,107	1,198,668		1,198,668
93600 Sewer	12,511	-	3,016	538,025		538,025
93000 Total Utilities	74,611	-	132,691	3,447,221	-	3,447,221
94100 Ordinary Maintenance and Operations - Labor		-		1,647,383		1,647,383
94200 Ordinary Maintenance and Operations - Materials and Other	957	-	5,345	524,030		524,030
94300 Ordinary Maintenance and Operations Contracts	101,976	-	195,047	3,304,277		3,304,277
94500 Employee Benefit Contributions - Ordinary Maintenance		-		874,426		874,426
94000 Total Maintenance	102,933	-	200,392	6,350,116	-	6,350,116

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2013**

	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.238 Shelter Plus Care	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	14.239 HOME Investment Partnerships Program	Component Units
95100 Protective Services - Labor	126,508						16,329
95200 Protective Services - Other Contract Costs	210,447						4,933
95300 Protective Services - Other							65
95500 Employee Benefit Contributions - Protective Services	50,852						7,565
95000 Total Protective Services	387,807	-	-	-	-	-	28,892
96110 Property Insurance	446,501						15,575
96120 Liability Insurance	30,427	23,101					
96140 All Other Insurance		220					1,291
96100 Total Insurance Premiums	476,928	23,321	-	-	-	-	16,866
96200 Other General Expenses	39,938		23,451	45,129	89,169	6,181	503,492
96210 Compensated Absences	47,462						
96300 Payments in Lieu of Taxes	155,070						45,105
96400 Bad debt - Tenant Rents	227,765						
96600 Bad debt - Other							12,035
96000 Total Other General Expenses	470,235	-	23,451	45,129	89,169	6,181	560,632
96710 Interest on Mortgage (or Bonds) Payable	302,600						42,466
96720 Interest on Notes Payable (Short and Long Term)							47,933
96700 Total Interest Expense and Amortization Cost	302,600	-	-	-	-	-	90,399
96900 Total Operating Expenses	14,697,887	698,740	23,751	45,129	91,209	6,181	1,501,025
97000 Excess of Operating Revenue over Operating Expenses	3,863,936	6,735,891	81,736	563,443	266,992	149,573	6,361,740
97200 Casualty Losses - Non-capitalized	222,942						
97300 Housing Assistance Payments		6,808,418	81,588	563,322		144,674	
97350 HAP Portability-In		28,653					
97400 Depreciation Expense	4,458,386	-					115,201
90000 Total Expenses	19,379,215	7,535,811	105,339	608,451	91,209	130,855	1,616,226
10010 Operating Transfer In	692,065						
10020 Operating transfer Out	-801,561						
10100 Total Other financing Sources (Uses)	-109,496	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-926,888	-101,180	148	121	266,992	4,899	6,246,539
11020 Required Annual Debt Principal Payments	295,955	-	-	-	-	-	257,766
11080 Beginning Equity	61,399,547	228,704	3,540	8,078	-	11,515	703,145
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-2,923,653				-266,992		244,321
11170 Administrative Fee Equity		67,073					
11180 Housing Assistance Payments Equity		60,451					
11190 Unit Months Available	30,516	17,107	432	1,509		324	2,597
11210 Number of Unit Months Leased	28,759	17,107	421	1,374		271	2,278

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2013**

	State/Local	14.856 Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	COCC	Subtotal	ELIM	Total
95100 Protective Services - Labor		-	105,287	248,124		248,124
95200 Protective Services - Other Contract Costs		-	43,805	259,185		259,185
95300 Protective Services - Other		-		65		65
95500 Employee Benefit Contributions - Protective Services		-	42,260	100,677		100,677
95000 Total Protective Services	-	-	191,352	608,051	-	608,051
96110 Property Insurance	11,255	-	8,518	481,849		481,849
96120 Liability Insurance		1,554	3,576	58,658		58,658
96140 All Other Insurance		-	1,977	3,488		3,488
96100 Total Insurance Premiums	11,255	1,554	14,071	543,995	-	543,995
96200 Other General Expenses	208,914	-	157,974	1,074,248		1,074,248
96210 Compensated Absences		-	137,538	185,000		185,000
96300 Payments in Lieu of Taxes		-		200,175		200,175
96400 Bad debt - Tenant Rents	-65	-		227,700		227,700
96600 Bad debt - Other		-		12,035		12,035
96000 Total Other General Expenses	208,849	-	295,512	1,699,158	-	1,699,158
96710 Interest of Mortgage (or Bonds) Payable		-		345,066		345,066
96720 Interest on Notes Payable (Short and Long Term)	5,592	-	181,603	235,128		235,128
96700 Total Interest Expense and Amortization Cost	5,592	-	181,603	580,194	-	580,194
96900 Total Operating Expenses	420,036	61,369	3,344,441	20,889,768	-2,097,044	18,792,724
97000 Excess of Operating Revenue over Operating Expenses	29,060	379,757	-707,006	17,725,122	-	17,725,122
97200 Casualty Losses - Non-capitalized		-		222,942		222,942
97300 Housing Assistance Payments		379,757		7,977,759		7,977,759
97350 HAP Portability-In		-		28,653		28,653
97400 Depreciation Expense	110,824	-	557,505	5,241,916		5,241,916
90000 Total Expenses	530,860	441,126	3,901,946	34,361,038	-2,097,044	32,263,994
10010 Operating Transfer In		-	109,496	801,561	-801,561	-
10020 Operating transfer Out		-		-801,561	801,561	-
10100 Total Other financing Sources (Uses)	-	-	109,496	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-81,764	-	-1,155,015	4,253,852	-	4,253,852
11020 Required Annual Debt Principal Payments	-	-	-	553,721		553,721
11030 Beginning Equity	2,413,934	606	3,137,378	67,906,447		67,906,447
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-1,075,762	-	4,220,015	197,929		197,929
11170 Administrative Fee Equity		-		67,073		67,073
11180 Housing Assistance Payments Equity		-		60,451		60,451
11190 Unit Months Available	672	1,116	-	54,273		54,273
11210 Number of Unit Months Leased	350	810	-	51,370		51,370

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2013**

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 - Subsidy	14.850	\$ 8,621,444
<u>Section 8 Project Based Cluster</u>		
Section 8 New Construction and Moderate Rehabilitation Programs:		
Moderate Rehabilitation Single Room Occupancy	14.249	105,486
Moderate Rehabilitation	14.856	440,836
Total Section 8 Project Based Cluster		546,322
<u>Housing Choice Voucher Program Cluster</u>		
Housing Choice Voucher Program	14.871	7,382,124
Total Housing Choice Voucher Program Cluster		7,382,124
<u>Capital Fund Program Cluster</u>		
Capital Fund Program	14.872	3,787,648
Total Capital Fund Program Cluster		3,787,648
Shelter Plus Care	14.238	608,450
ARRA - Neighborhood Stabilization Program Recovery Act Funded	14.256	358,201
Home Investment Partnership Program	14.239	149,754
<i>Total Direct Programs</i>		21,453,943
Total U.S. Department of Housing and Urban Development		21,453,943
TOTAL ALL PROGRAMS		\$ 21,453,943

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, 2013

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.

Certified Public Accountants

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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, 2013, 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 November 21, 2013 wherein we noted that our report includes a reference to other auditors who audited the financial statements of Alliance Senior Tower LLC as described in our report on the Stark Metropolitan Housing Authority 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 the primary government for an error in depreciation of Capital Assets. In addition, we issued an Adverse Opinion on the aggregate discretely presented component units because the financial statements of Hunter House, LLC had not been audited and the financial statements of the Stark Metropolitan Housing Authority Credit Union were not provided to the Authority.

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 certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described as **Finding 2013-02**, **Finding 2013-03**, and **Finding 2013-04** in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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 2013-01** to be a significant deficiency.

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 Responses to Findings

The Stark Metropolitan Housing Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

November 21, 2013

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, 2013. 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 Public 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 - Public Housing Program as described in **Finding 2013-05** 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 Public 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 Public Housing Program for the year ended March 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

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 each of its other major federal programs identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs for the year ended March 31, 2013.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2013-05** to be a material weakness.

Auditee'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

November 21, 2013

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
MARCH 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

2013(i)	Type of Financial Statement Opinion	Unmodified: Business-Type Activities Adverse: Aggregate Discretely Presented Component Units
2013(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
2013(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2013(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2013(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
2013(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2013(v)	Type of Major Programs' Compliance Opinion	Unmodified: Housing Choice Voucher Program and Shelter Plus Care Qualified: Public Housing Program
2013(vi)	Are there any reportable findings under .510(a)?	Yes
2013(vii)	Major Programs (list): Conventional Low Rent Public Housing - CFDA # 14.850 Housing Choice Voucher Program Cluster: Housing Choice Voucher Program - CFDA # 14.871 Shelter Plus Care - CFDA # 14.238	
2013(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$643,618 Type B: > all others
2013(ix)	Low Risk Auditee?	No

STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
MARCH 31, 2013
(CONTINUED)

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

Finding No. 2013-01 – Significant Deficiency – Supporting Reports

Statement of Condition/Criteria

During our review of supporting reports generated through the Yardi system for Tenant Accounts Receivable, Accounts Payable, Inventory, and Security Deposits, we noted that these reports did not agree to the amount recorded on the trial balance. The differences were not material and were not discovered by the Housing Authority.

Cause/Effect

No one from the Authority reconciled the account balances on the trial balance to the general ledger. Several accounts were misstated in the Authority's financial statements.

Recommendation

We recommend that the Authority review their trial balances on a monthly basis and ensure that all accounts agree to the supporting reports.

Client Response - Corrective Action

The Accounting Department is instituting an overall Accounting Department Policy in which account reconciliations have been addressed. In general, each accountant in the Department is responsible for reconciling the accounts associated with their daily tasks on a monthly basis and the reconciliations will be reviewed by the Department head.

STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
MARCH 31, 2013
(CONTINUED)

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

Finding No. 2013-02 - Material Weakness - Capital Assets

Statement of Condition/Criteria

During our review of capital assets, we noted that several assets had a negative depreciation for the current year. These assets had been over depreciated in prior years and the negative depreciation was to bring the book value of these assets to zero. The total amount of negative depreciation was \$607,740 for the current year. We also noted that there were several fully depreciated assets that continue to be utilized by the Authority. We also noted that the Authority's capital asset policy is vague and does not provide proper guidance to fiscal staff.

Cause/Effect

In prior years, the Authority charged a full year of depreciation when assets only had a half year of useful life remaining. Also useful lives are estimated. The negative depreciation resulted in an understatement of depreciation expense for the current year.

Recommendation

We recommend that the client monitor its accumulated depreciation to ensure that the accumulated depreciation does not exceed the cost of the asset after current year depreciation is added. We also recommend that the Authority review the useful lives for all assets. The Authority should update the capital asset policy to reflect current procedures.

Client Response - Corrective Action

The Authority will monitor its accumulated depreciation to ensure that the accumulated depreciation does not exceed the cost of the asset after current year depreciation is added. We will also review the useful lives for all assets in addition to updating the Capital Asset Policy to reflect current procedures.

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
MARCH 31, 2013
(CONTINUED)**

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

Finding No. 2013-03 – Material Weakness – Financial Reporting

Statement of Condition/Criteria

During our testing of the FDS, we noted that the amounts reported on the FDS did not agree to the amounts reported on the trial balances created through the Authority's system. Per discussion with the Authority, the previous Finance Director created the FDS and had multiple adjustments to the trial balances to get to the final numbers. These adjustments were never posted in the Authority's system and support for these adjustments could not be provided. Also the current Finance Director continued to post entries within the system that affected the March 31, 2013 year. The final trial balances included these subsequent entries, but they were not included in the trial balances used to create the FDS.

Cause/Effect

The trial balances do not reconcile to the FDS.

Recommendation

We recommend that the Authority maintain documentation for all adjustments made to support amounts reported on the FDS. We also recommend that the Authority set a cut-off date for posting adjustments for the audit period. This will prevent changes from being made to the trial balances after the FDS is created.

Client Response - Corrective Action

The Authority has created an Accounting Policy that includes cutoff and deadline due dates for all Authority public housing and non-public housing properties' year-end events. The Policy is in draft form and will be presented to the Authority's Board of Commissioners for approval/resolution.

Year-end closing will replicate monthly closing with an emphasis on analyzing all accounts for final balances, preparing for FDS, and issuing Form 1099 to vendors. The financial records will close automatically on March 31st each year to avoid any delays.

The Department head will perform an analysis and review in conjunction with the accounting staff to make any journal entry adjustments or accruals. During the period of analysis (15-30 days after closing), the Accounting Department will arrange a meeting with the auditor of record to begin the yearly audit process. In the event some unforeseen circumstances occur, the Accounting Department head will request an extension to submit the audit. Finally, the Accounting Department year-end close will work with an emphasis on preparing for any audits and tax return preparation in a timely fashion.

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
MARCH 31, 2013
(CONTINUED)**

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

Finding No. 2013-04– Material Weakness – Bank Reconciliation

Statement of Condition/Criteria

During our review of the Authority's cash, we noted that the Authority is not preparing bank reconciliations on a timely basis and there is no indication of approval of these reconciliations. We also noted that the book balance did not agree to the trial balance amounts. The total difference was \$304,496.

Cause/Effect

The Authority's finance department has a limited staff, whom continued to record entries for the March 31, 2013 fiscal year after the bank reconciliations were completed. The difference of \$304,496 was attributed to authorized year-end adjustments posted to the system, but the bank reconciliations were not updated to reflect these year-end adjustments.

Recommendation

We recommend that the Authority reconcile and approve all bank accounts each month in order to maintain adequate control over both cash receipts and cash disbursements. We also recommend that the Authority update its bank reconciliations for any adjustments made in the system. This will prevent changes from being made to the trial balance after the bank reconciliations are performed.

Client Response - Corrective Action

The Authority has created an Accounting Policy that includes cutoff and deadline due dates for all Authority public housing and non-public housing properties' year-end events. The Policy is in draft form and will be presented to the Authority's Board of Commissioners for approval/resolution.

It is the Authority's policy to take adequate steps to ensure the accuracy of the bank balances shown in the general ledger. All bank reconciliations shall be complete by the 10th working day of each month. Monthly data from the cash receipts and disbursements journal shall be compared with the details reported on bank statements. Unmatched and mismatched data shall be used to reconcile the book and bank balances and the reconciliations shall be performed by general accounting personnel (those not having access to cash or involvement in processing or recording transactions).

Bank balances, as shown in bank statements, shall be reconciled monthly with the general ledger. Data from cash receipts and cash disbursements shall be compared on an item-by-item basis, with the details reported on the bank statement. Mismatches shall be listed for investigation.

Bank statements shall be received or downloaded by the Director of Accounting (or a designate) and forwarded to the reconciliation preparer. In order to comply with segregation of duties principles, the reconciliation preparer must be someone who does not have access to preparing or issuing checks or preparing and depositing cash.

STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
MARCH 31, 2013
(CONTINUED)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding No. 2013-05 Material Weakness - Material Non-Compliance - Public Housing Program - Excess Cash

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). Sections 6.1 through 6.6 in the Supplement to HUD Handbook 7475.1 provides guidance on the uses of excess cash generated by these programs. These guidelines state that excess cash cannot be used for loans or transfers to the COCC. Loans in the amount of \$2,583,429 were made to the Metro Center (part of the COCC) which is included in total loans from Public Housing Projects of \$4,078,684.

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 federal guidelines regarding the use of excess cash in the Low Income Public Housing Program.

Recommendation

We recommend that the Authority follow the guidance in HUD Handbook 7475.1 and not use excess cash to provide loans to the COCC or other programs.

Client Responses - Corrective Action

The Authority has noted the recommendation and will follow the guidelines put forth by the Supplement to HUD Handbook 7475.1.

STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
MARCH 31, 2013

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Corrected?</u>	<u>Explanation</u>
2012 SMHA - 1	Credit Card Policies	No	Repeated as a Management Comment
2012 SMHA - 2	Contractual Agreement	No	See HUD OIG Report Summary
2012 SMHA - 3	Credit Union Salary Expense	No	See HUD OIG Report Summary
2012 SMHA - 4	Insurance Expense	Yes	Recommendation Implemented
2012 SMHA - 5	Excess Cash	No	Repeated as Finding 2013-05

The prior audit report, as of March 31, 2012, also included management letter recommendations. Management letter recommendations as of March 31, 2012, 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, 2013**

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

Appendix A on page 58 contains the questioned costs as identified by this audit. 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.

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 \$6,820 in unsupported costs. As of the date of this audit report the authority had not resolved this audit with HUD.

**STARK METROPOLITAN HOUSING AUTHORITY
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL AUDIT REPORT**

Appendix A - Schedule of Questioned Costs and Funds to be Put to Better Use

<u>Recommendation Number</u>	<u>Ineligible 1/</u>	<u>Unsupported 2/</u>	<u>Funds to be Put to Better Use 3/</u>
1A	\$ 3,569,942		
1B	2,773,976		
1C	<u>15,754</u>		
1D		\$ 4,003,683	
1E		162,156	
1F			\$ 57,410
1G			<u>263,091</u>
2A		<u>356,393</u>	
Total	<u>\$ 6,359,672</u>	<u>\$ 4,522,232</u>	<u>\$ 320,501</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the audit believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified.

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Dave Yost • Auditor of State

STARK METROPOLITAN HOUSING AUTHORITY

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2014**